DOCUMENT RESUME

ED 473 179 CE 084 408

AUTHOR	Kearns, Peter
TITLE	Are Two Worlds Colliding?: The Provision of Training and Learning Services for Small Business.
INSTITUTION	National Centre for Vocational Education Research, Leabrook (Australia).
ISBN	ISBN-1-74096-042-4
PUB DATE	2002-00-00
NOTE	80p.
AVAILABLE FROM	National Centre for Vocational Education Research, 252 Kensington Road, Leabrook, South Australia 5068, Australia (Cat. no. 900; $27.50 Australian). Tel: 08 8333 8400; Fax: 08 8331 9211; e-mail: vet_req@ncver.edu.au; Web site: http://www.ncver.edu.au. For full text: http://www.ncver.edu.au/research/proj/nr1003.pdf.
PUB TYPE	Reports - Research (143)
EDRS PRICE	EDRS Price MF01 Plus Postage. PC Not Available from EDRS
DESCRIPTORS	Adult Education; Adult Learning; Apprenticeships; Benchmarking; Computer Mediated Communication; Computer Uses in Education; Continuing Education; Cooperative Learning; Delivery Systems; Developed Nations; *Experiential Learning; Foreign Countries; *Informal Education; Internet; Job Skills; Job Training; Mentors; *Nonschool Educational Programs; Outcomes of Education; Policy Formation; *Self Help Programs; *Small Businesses; *Vocational Education
IDENTIFIERS	*Australia; Barriers to Participation; Electronic Learning; Impact Studies

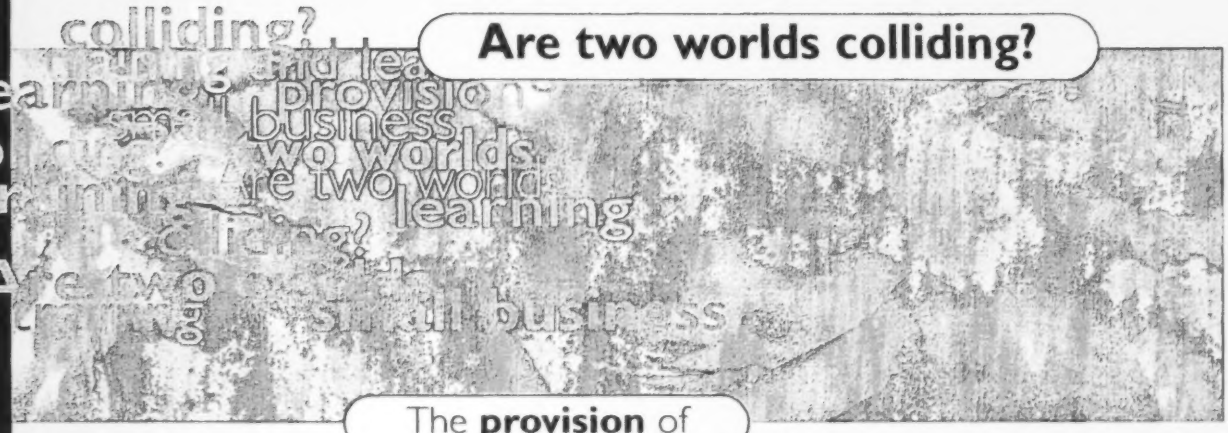
ABSTRACT

A study examined key dimensions of the pattern of learning and enterprise culture change relating to provision of training and learning services for small businesses in Australia. Barriers to training were both demand- and supply-side factors. Research showed the significance of informal learning that occurs in workplaces of small firms but was lacking on the impact of vocational education and training (VET) reforms on small business, including implementation of New Apprenticeships, Training Packages, and Toolboxes and promotion of online learning and measures to make VET more flexible and responsive to user demand. Some customized products, such as Certificates III and IV in Small Business, were implemented, but their impact was not researched. Considerable progress was made in identifying collaborative self-help strategies that support development of learning and skill in small business. Well-suited to the small business environment and culture, they included building networks and clusters, mentoring, workplace coaching, action learning, and benchmarking. Less research evidence was available on the impact and potential of e-learning. The dominant feature on the landscape of learning and training provision for small business was emergence of a dual system comprising the formal VET system and informal system of short courses, advisory services, and workplace learning. A compelling case was made for a comprehensive national learning, skill, and enterprise strategy for small business. (Appendixes include a list of 82 references, glossary, and methodology.) (YLB)

Reproductions supplied by EDRS are the best that can be made
from the original document.

ED 473 179

NCVER



Are two worlds colliding?

The **provision** of **training** and **learning services** for **small business**

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☒ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL IN MICROFICHE, AND IN ELECTRONIC MEDIA FOR ERIC COLLECTION SUBSCRIBERS ONLY, HAS BEEN GRANTED BY

S. Hayman

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

2A

Peter Kearns

BEST COPY AVAILABLE

CE084408

© Australian National Training Authority, 2002

This work has been produced by the National Centre for Vocational Education Research (NCVER) with the assistance of funding provided by the Australian National Training Authority (ANTA). It is published by NCVER under licence from ANTA. Apart from any use permitted under the Copyright Act 1968, no part of this publication may be reported by any process without the written permission of NCVER Ltd. Requests should be made in writing to NCVER Ltd.

The views and opinions expressed in this document are those of the author/project team and do not necessarily reflect the views of the Australian National Training Authority.

ISBN 1 74096 041 6 print edition
ISBN 1 74096 042 4 web edition
TD/TNC 72.03

Published by NCVER
ABN 87 007 967 311
252 Kensington Road, Leabrook SA 5068
PO Box 115, Kensington Park SA 5068, Australia
www.ncver.edu.au

Contents

Preface 4

Executive summary 5

Part I: Background 9

1: Introduction 10

2: Training and learning in small business 13

3: Issues and opportunities 22

Part II: The current situation 24

4: Products and services 25

5: Strategies 34

6: Promoting the benefits of training and learning 43

7: Assessment of progress 48

Part III: Conclusions and way forward 50

8: Conclusions 51

9: The way forward 56

References 67

Appendices

1: Glossary 70

2: British policy for learning and training in small business 72

3: Approach to methodology 76

4: A vision of e-learning for America's workforce 78

Preface

While the barriers and disincentives to participation by small business in structured training have been well documented over a decade and more, far less is documented on the impact of recent developments in the vocational education and training (VET) system on small business. These developments have focussed on the implementation of New Apprenticeships and Training Packages and have been accompanied by measures to increase the flexibility and responsiveness of the VET system.

For this reason I have relied to a significant extent on consultations undertaken with stakeholders. I am grateful for the guidance and assistance provided, although I am solely responsible for the conclusions I have drawn.

The nature of this overview means that it provides an impressionistic snapshot of the current situation. While much detail remains to be filled in, I believe that the general lines of the picture emerging from this overview are valid.

This is a picture of a dual system comprising the formal VET system of accredited courses and qualifications and the burgeoning informal system comprising short courses, advisory and mentoring services, and workplace learning. Few bridges exist between these domains to open learning pathways throughout life for people in small business so as to extend and deepen learning, skill and enterprise in a world of dynamic change, challenge and opportunity.

While the informal system has expanded, it will continue to grow with the impact of e-learning and the growing significance of workplace learning.

In this context, I find the case for a more integrated and holistic approach to learning, skill and enterprise in small business compelling. This will require partnership between the stakeholders so as to progress towards a whole-of-government approach which will support new forms of public and private partnership, as is happening in Britain, and which will fuel innovation, enterprise and continuous improvement in small business.

If this happens, people in small business will benefit greatly, as will Australian society.

Peter Kearns

Executive summary

The study examined how training and learning is being promoted for small business, the products provided, the strategies adopted, and assessment of impact and recent initiatives taken by the range of stakeholders. In view of the short time provided for the study, this report provides an impressionistic snapshot of the current situation, and much detail remains to be added to this snapshot.

The barriers to participation by small business in structured training have been established in research over the past decade and more. These include both demand- and supply-side factors and involve the well-documented preference of small business for training that is short, sharp and specific, convenient, low-cost and of immediate relevance to practical business issues.

I found that this preference of small business remains and is reflected in the orientation of most training for small business towards well understood business imperatives. This orientation may be found in the business programs provided by State and Territory small business agencies and in short-course packages provided by vocational education and training (VET) providers directed at such imperatives.

There are also supply-side barriers and disincentives which continue to operate. Small business by its nature is a difficult market for VET providers without the immediate market rewards from such markets as servicing larger firms and the overseas student market. While flexible delivery strategies have been promoted for small business, the up-front costs continue to be a barrier with a low capacity of small business to meet these costs.

While barriers to participation by small business in formal training have been well documented, there is also research evidence on the significance of informal learning which occurs in the workplaces of small firms. Informal workplace learning is a key element in the way small business learns and develops skills, and up to now informal workplace learning has not been well linked to the formal VET system except through apprenticeship training and provision for recognition of prior learning (RPL). There is a growing international interest in workplace learning for reasons discussed in the report.

There is a paucity of recent research on the impact of VET reforms since 1996 on small business. These reforms include the implementation of New Apprenticeships, Training Packages and Toolboxes, the promotion of on-line learning and measures to make VET more flexible and responsive to user demand.

While some customised products, such as the Certificates III and IV in Small Business, have been implemented, there is no available research evidence on their impact. The available evidence suggests that the current situation remains patchy.

Strategies that work

There has, however, been considerable progress in identifying 'collaborative self-help models' that support the development of learning and skill in small business. The Small Business Professional Development Program (SBPD) which operated between 1996 and 1999 trialled such strategies in a large number of projects.

These collaborative self-help strategies were seen as well suited to the small business environment and culture, and were usually effective with special project funding. They were identified as including the following:

- building networks and clusters, mentoring, workplace coaching, action learning and benchmarking

A number of these strategies have been applied in both State and Commonwealth business programs such as Information Technology Online (ITOL) and Commercialising Emerging Technologies (COMET).

While these strategies can be effective with special project funding and support, the task is now to mainstream their adoption in regular VET funding, and possibly in other funding sources.

Potential of e-learning

While there is considerable research on these strategies, there is less research evidence on the impact and potential of e-learning for small business. There has been a major expansion of e-learning in large firms, in particular in the United States, and this expansion is predicted to continue. Much American development involves sophisticated blended learning systems which link e-learning with other learning strategies, such as face-to-face instruction and action learning, in synergistic ways. Finding ways to develop e-learning in blended learning strategies in cost-effective ways in small business is a critical issue.

The challenge of a dual system in the knowledge economy

The major findings and conclusions of the report involve the relationships of the dual systems which are serving learning and skill development in small business. These are:

- the formal VET system of accredited provision and qualifications
- the informal sector comprising business short courses, advisory and support services and workplace learning

There has been a considerable expansion of the informal sector driven by a mix of contextual influences, new technologies, government regulation and market opportunities such as export. The expansion of the informal sector will continue with e-learning in the workplace a likely further stimulus to expansion.

There are at present few bridges between the two systems and few incentives for people in small business to move from the informal sector, which meets their needs in a practical low-cost way, into the formal VET system.

While the informal sector has a necessary focus on meeting immediate business imperatives, the result of this situation is an orientation towards the short-term 'here-and-now' and 'just-in-time'. This orientation towards the short-term means that necessary longer-term

developmental objectives involved in building an enterprise culture and entrepreneurship, that fosters innovation and adapting to changing conditions and opportunities, is neglected. The vision of the Karpin Task Force for an 'enterprising nation' is not being progressed sufficiently.

Building a culture to support learning, skill and enterprise

There is consequently a compelling case in the context of the globalised knowledge economy, for a new paradigm to drive learning, skill and enterprise in small business. Such a paradigm would link short-term practical objectives and longer-term development objectives in a more holistic and integrated approach. It will require collaboration and partnership among stakeholders and progress towards a whole-of-government approach and shared vision.

It will have a tripartite orientation towards the needs of enterprises, employees in small business and communities. It will foster the alignment of business strategy and human resource development so as to build human capital and a culture that fosters enterprise and innovation.

A way of progressing towards this integrated/holistic approach is discussed in chapter 9, with ten directions for policy summarised in exhibit 2 which is given below.

Exhibit 2: Fostering small business learning and skill: Ten key directions for policy

1. Develop a holistic approach which integrates business-specific training with lifelong learning and personal development, and the fostering of a learning, skill and enterprise culture.
2. Foster joined-up multiple perspectives in a comprehensive national framework for learning, skill and enterprises directed at firms, individuals and communities.
3. Link imperatives from the business life-cycle and special business needs with a learning continuum throughout life so as to deepen and extend learning in small business and to underpin enterprise and innovation.
4. Use business imperatives as the gateway.
5. Segment further the small business learning and skill market.
6. Promote e-learning in blended learning strategies.
7. Progress towards a whole-of-government approach.
8. Improve access to information and foster dialogue and partnership.
9. Integrate learning, skill, knowledge and enterprise strategies.
10. Balance and integrate short-term and long-term priorities in a comprehensive framework for development.

Progressing this vision for learning, skill and enterprise in small business will require as priorities:

- consultations with stakeholders on ways to bridge the two systems at national, State/Territory and local levels
- the development of information and materials to promote a better understanding of the VET contribution and the need for strategic perspectives in maintaining the competitive position of small business in the globalised knowledge economy
- development projects at the local level for field testing of strategies to build an integrated/holistic approach

BEST COPY AVAILABLE

- development projects to link the significant potential of e-learning for small business with the collaborative self-help strategies that fit the small business environment and culture and with current initiatives to promote e-commerce in small business

While all ten directions for policy will require attention in building the necessary learning, skill and enterprise culture in small business, the priorities identified above provide a realistic and feasible starting point in addressing the challenge of small business in the information age.

The consultations with stakeholders proposed above may be seen as a step towards a whole-of-government approach which links initiatives taken at national, State/Territory and local levels in a comprehensive strategic framework for learning, skill and enterprise in small business.

There is a range of initiatives at national, State/Territory and local levels discussed in this report which could be linked in strategic ways, so as to foster synergies through 'joined-up' polices, and so as to provide value-added outcomes for people in small businesses.

A comprehensive national learning, skill and enterprise strategy for small business will bring substantial benefits for people in small business in bringing together, for mutual benefit, the two worlds discussed in this report. With vision, partnership and good will the new world of small business in Australia can be achieved.

Part I: Background

Part I provides an overview of research on training and learning in small business and gives the background and scope of this study. Key issues are identified.

1: Introduction

Small business and the formal training system are sometimes seen as inhabiting two worlds divided by significant cultural differences. This two-culture theory has been advanced from time to time (Field 1997, 1998; Comyn 1999) to explain the low participation by small business in structured training, while at the same time recognising that considerable informal learning occurs in small business.

While there are well-documented cultural differences between the formal VET system and many (but not all) small firms, there are current developments in both the VET system and in the environment of small business which can be seen as the start of a convergence between the two worlds in the context of the globalised information economy and knowledge society. The question of the extent to which this convergence is occurring is examined in part II of this report. How it might be driven further and faster is discussed in part III.

The issue of developing a learning and skill capability is now critical for small business in the context of the globalised information (or new) economy, the impact of dynamic technologies, shifts in markets and competition, and the exponential pace of change. These developments challenge traditional attitudes in many small firms towards learning and training which grew out of a more leisurely industrial society. In the knowledge society, knowledge is the key economic resource and learning the instrument for the generation and use of knowledge and maintenance of the currency of skill (OECD 1996; Halal 1998; Halal & Taylor 1999).

The imperatives for lifelong learning which have arisen from this context have been widely recognised around the world (OECD 1996; UNESCO 1996; European Union; Group of Seven 2000; Secretary of State for Education and Employment 1998) and are reflected in national strategies developed by a number of governments, such as the British. Current policies of the European Union, for example, illustrate the concern to link policies for economic and industry development with policies for the transformation of education and training. The current situation of e-learning stands at the frontier of these endeavours.

While the context of small business in the knowledge economy is changing dramatically, the VET system has also sought to adapt to the new environment.

This process of adaptation is reflected in current policy for developments such as:

- the promotion and extension of New Apprenticeships
- the implementation of Training Packages

- the promotion of online flexible learning through the five year Action Plan for Flexible Learning and the development of multi-media Toolboxes

Overall, these initiatives aim to achieve greater flexibility and responsiveness in the VET system in responding to changing needs. However, implementation of these initiatives is still at a relatively early stage of development so that the landscape of VET in Australia exhibits a mosaic of the old and the new, with entrenched conservatism and forward looking innovation inextricably mixed across the landscape. Cultural change is a slow and complex process, as international experience shows (Kearns & Papadopoulos 2000) and Australia is still in the early stages of building an all-embracing learning and enterprise culture.

The study

This study was designed as an attempt to probe some of the key dimensions of this pattern of change relating to the provision of training and learning services for small businesses. The study was limited by the short time of six weeks available for its completion and by the paucity of published research on recent initiatives. For this reason the study relies substantially on consultations undertaken with stakeholders to gain an impressionistic snapshot of the current situation and to identify areas for further research and development.

The study was designed to address the following questions:

1 What does the recent research tell us about approaches to learning that are being used in small business, in particular:
   (a) How are providers or those who seek to engage small business in learning promoting the benefits of investing in training/learning?
   (b) What sort of 'training/learning product' are they providing to small business?
   (c) In what way do those who provide this product to small business overcome the barriers to training that small business faces?
   (d) What have these providers done to measure the impact of the product or service they provide to small business?
2 What recent initiatives have been taken by various groups to promote and encourage engagement with learning in the small business community, including initiatives by government agencies, industry and business associations, ITABs, small business advisory centres and other stakeholders?
3 What evaluations have been done on these initiatives to find out if, and to what extent, they are having an impact on small business?

A list of the organisations and agencies consulted and invited to comment is given in appendix 3.

The definition of small business

In undertaking this study, we have, in general, adopted the statistical definition of small business adopted by the Australian Bureau of Statistics which relates to firms under 100 employees in the manufacturing industry and with fewer than 20 employees in other sectors.

The definition, while appropriate for statistical purposes, is a very broad brush and is unsatisfactory in a number of respects in clarifying the concept of small business learning

and training, and in aiding the identification of key segments of the small business learning and training market.

In this process of clarification, we found more value in the definitions, also used by the Australian Bureau of Statistics (ABS), built into the Business Longitudinal Survey (BLS) under the Small Business Research Program which operated between 1994–95 and 1997–98.

The Business Longitudinal Survey adopts the following size classification:

- micro firms—up to 4 employees and including non-employing firms;
- other small firms—5 to 19 employees;
- medium firms—20 to 199 employees;
- large firms—200 or more employees.

This classification assists in identifying key market segments, such as small family firms, as a basis for customised learning and training strategies. It is also responsive to the finding of some Australian and British research that the propensity to engage in structured learning and training activities increases with the size of the firm. (BLS 1998; Marchmont 1999)

The BLS study also illustrates how training and learning methods and strategies vary with firm size.

Table 1: Training methods 1997–1998 by firm size

Firm size	No. of firms with training	Structured training	Proportion of firms with training using:		
			On-the-job training	Seminars, workshops, conferences	Job rotations, exchanges
	No. ('000)	%	%	%	%
Micro	151.6	29.8	64.6	40.5	7.2
Other small	125.1	46.8	86.8	48.9	29.5
Total small	276.7	37.5	74.7	44.3	17.3
Medium	30.7	68.0	94.3	68.4	50.4
Large	2.1	92.8	99.1	93.2	77.1
Total	309.5	40.9	76.8	47.0	21.0

Our overview of research findings on training and learning in small business is given in chapter 2 which follows.

2: Training and learning in small business

Throughout the past decade a series of studies have pointed to the low level of structured training in small business (BIE 1991; Coopers & Lybrand 1995a, 1995b; Baker & Wooden 1995; Field 1997, 1998; Gibb 1997; Kilpatrick & Crowley 1999; Kearney 1999), while at the same time generally agreeing on the reasons for this situation and the nature of the barriers and disincentives which limited the incidence of structured training in small business.

More recently, a further theme has come into this literature with a growing interest in research studies in the informal learning which occurs in the workplace in both small and large firms (Field 1997, 1998; Kearney 1999, 2001; Cullen et al. 2000). This interest has thrown up a broad spectrum of new issues relating to how more holistic strategies might link informal workplace learning with structured training provision so as to create a richer set of learning and training pathways in a world of 'permanent white water'.

This new wave of interest in workplace learning has coincided with the growing international interest in lifelong learning in the context of the globalised knowledge economy, and in the role of modern information and communication technologies (ICT) in education, training and workplace learning. The dynamics of the interaction of these influences has led to the complex pattern of change and transition to a learning society which is explored in this report.

ABS statistics throughout the decade have pointed to the lower incidence of training in small firms compared with larger firms. For example, unpublished data for the ABS Business Growth and Performance Survey for 1997–98 showed that 55% of small business provided some form of training compared to 90% of large businesses with the manufacturing sector more likely to provide training with 65% of all firms providing some form of training for their staff (ABS 1998–99).

There is a useful supplement to the ABS data in the 1998 Business Longitudinal Survey which shows that for 1997–98:

- 11% of small firms increased the proportion of people trained while 42% did not increase the proportion and 45% did not provide training
- 37% of medium firms increased the proportion of people trained while 50% did not increase and 11% provided no training
- 40% of large firms increased training while 58% did not increase and negligible numbers provided no training (DEWRSB 2000)

The BLS data is significant in showing that as recently as 1997–98 the proportion of small firms increasing their training effort was small while a significant proportion of small firms continued to not provide training. The question of whether this situation has changed since

1997–98, in the light of the developments outlined in chapter 1, is taken up in part II of this report.

Barriers to training

The reasons for the low level of structured training in small business have been examined throughout the decade with a landmark study by the Bureau of Industry Economics in 1991 setting the framework for much subsequent research and analysis (BIE 1991).

The 1991 BIE study confirmed the low incidence of formal structured training in small business and identified a broad spectrum of both demand-side and supply-side barriers and disincentives which limited the incidence of training in small business.

The analysis included the following barriers.

Demand side

The barriers included:

- lack of awareness and understanding by owner/managers of the benefits of training so that there was widespread indifference to training
- cost is seen as a disincentive including time lost from the job
- there is not time, skill, or supporting resources to modify these views

Supply side

- provision is not sufficiently flexible and is not provided in the forms, times and locations to suit small business
- the diversity of small business and the preferences of owner/managers made this a difficult market for providers to operate on a commercial basis (BIE 1991)

The predominant theme in the conclusions and recommendations of the BIE report was that provision of training for small business, including management training, should be more market driven and responsive to the preferences of small business (BIE 1991, p.xii).

The notion that training provision should be more demand driven has been persistent through the 1990s and was reflected in the conclusion of the 1994 Allen review of the implementation of the National Training Reform Agenda, that reforms should be refocussed on the demand side. As late as 1997, Wiltshire in a study of factors affecting the training market in Queensland concluded that the VET market in Queensland was not demand driven but 'is provider- and funding-driven' (Wiltshire 1997). Subsequent reforms such as Training Packages and user choice have attempted to address this situation.

The themes in the BIE report were repeated in the two studies undertaken by Coopers and Lybrand for the Karpin Task Force on leadership and management skills in 1994–95 and were echoed in the summary of the Karpin research made by Midgley (Coopers & Lybrand 1995a, 1995b; Midgley 1995). The barriers were seen as including:

- lack of awareness of the significance of training
- the cost of training, both real and perceived
- lack of clear and logical market segments for which training needs can be identified
- the absence of a market-driven training industry

- the level of education and other characteristics of most owner/managers
(Coopers & Lybrand 1995a)

Overall, the Coopers & Lybrand studies concluded that the small business market was difficult to service with incentives weak on both the supply and demand side. Midgley summed up the Karpin research as showing the small business owners require less formally structured training that has a practical emphasis, is delivered at convenient times and which is linked to ongoing counselling (Midgley 1995, p.1402).

Kearns in 1995 summed up the small business preference as being for provision that is 'short, sharp and specific' (Kearns 1995, p.8).

While most research over the decade emphasised the attitudinal and cultural barriers to investment in training, some research also linked this to the nature of many small business jobs and the business strategies followed by owner/managers in low skill sectors. Baker, Wooden and Kenyon (1996) adopted this approach, as did Wooden (1995). Baker, Wooden and Kenyon pointed to the greater concentration of jobs with low skill requirements in the small business sector with many owners/managers adopting a low skill/low cost business strategy. Wooden (1998) added that this concentration of low skill jobs was found particularly in agriculture, manufacturing, construction, community service, recreation and personal services.

The research review undertaken by Gibb in 1997 confirmed the main themes emerging from the earlier research discussed above. However, as the new directions in training reform since 1997 are not reflected in this research, the question arises as to the extent of change since 1997. This is discussed in part II. However, a significant emerging factor in this situation is the new wave of interest in workplace learning which has accompanied the rising interest in lifelong learning and the impact of ICT. This is discussed below.

Learning in the workplace

A number of research studies have pointed out that while the incidence of structured training in small business is low, considerable informal learning occurs in small business (Field 1997, 1998; Kilpatrick & Crowley 1999; NSTF 2000).

Some researchers in both Australia and Britain, such as Field (1997, 1998) and Hyland & Matlay (1997), have concluded from this situation that the structured training approach for small business represents 'a failed strategy' and that skill promotion in small business should instead build on the foundation of informal workplace learning which reflects the small business culture and the preferences of small business owners and managers.

While this debate is unresolved, the new wave of international interest in workplace learning and the changing nature of work* brings a new dimension to this question and points to ways in which the tensions between the traditional training paradigm and the emerging learning paradigm can be harmonised in more holistic strategies.

---

* This is reflected, for example, in recent decisions by the American Society for Training and Development to convene a future search conference in workplace learning and the NSW Board of Vocational Education and Training convening an invitation conference in July on The Future of Work.

This new wave of interest in workplace learning is driven by:

- pressures for lifelong learning and the need for individuals to maintain employability in a world of exponential change
- changes in work and the implementation of new forms of work organisation
- the impact of ICT and the emergence of e-learning
- the new significance of knowledge generation and management and the development of knowledge workers and enterprises in the knowledge-based new economy
- advances in learning science

The wide range of forms that informal learning may take are well illustrated in the list drawn up in a study of work and learning in micro-enterprises in the printing industry in four European countries. This is summarised over.

Gibb points to a similar spectrum of contextual learning modes that occur in the workplace.

The predominant contextual learning mode in this environment is that of dealing with a wide (holistic) task structure; learning from peers; learning by doing; learning by feedback from customers and suppliers; learning by copying; learning by experiment; learning by problem solving and opportunity taking; and learning from making mistakes.

The learning environment described above is continually creating 'subjective' contextual knowledge; this contrasts sharply with the 'objective', largely decontextualised (from the specific problems/priorities of the firm) learning environment frequently provided by the teacher or trainer (A Gibb 1997, p.19).

The Organisation for Economic Cooperation and Development (OECD), among other organisations, has contributed to these directions with its work on lifelong learning, the knowledge economy, learning communities and the current work of CERI on knowledge and learning which is focussed on the implications of findings from the learning sciences and brain research. OECD is convening a number of high-level forums and seminars under the latter activity.

The British National Skills Task Force in its *Third report* devoted a chapter to informal learning and work organisation and made the connection between the introduction of new forms of work organisation and the increased significance of informal learning in the workplace (NSTF 2000a). As firms introduce new forms of work organisation, such as the high performance workplace, informal learning becomes more significant and firms frequently introduce structured learning programs to support developments such as team-based working, just-in-time production and total quality management (NSTF 2000a, pp.38–42). The task force noted that recent research confirmed that the introduction of team working was more successful when supported by a range of informal learning techniques (NSTF 2000a, p.41)

The Allen Group survey of the training needs of industry, undertaken for the Australian Industry Group, noted the related point that as firms restructured and introduced new forms of work organisation, there was increased demand for a broader set of generic skills (Allen 1999). A recent research review by the author of this report reached the same conclusion (Kearns 2001). Such generic skills are refined and extended in the workplace through structured and unstructured experiential learning, as well as through structured training, further adding to the significance of workplace learning.

The Karpin Task Force on Leadership and Management Skills added its voice to the growing international recognition of the significance of experiential learning approaches for business:

> *This particularly applies to the small to medium enterprise sector where task force research indicates that owner/managers demand experiential learning approaches based on highly relevant case examples and have a limited tolerance for more generic or less participative instruction.* (Karpin Task Force 1995, p.212)

While the emerging learning revolution in society is still at an early stage of development and the full implications are not yet clear, pressures for lifelong learning in a knowledge society and economy place a new value on workplace learning and throw up the key question as to how best to build bridges between the world of workplace learning and the structured training system.

A broad range of issues emerge in this situation:

- how to improve the effectiveness of workplace learning
- how to link workplace learning to the structured training system
- the role of ICT in both contexts as a potential bridge
- the role of informal learning in knowledge generation, management and use
- transfer between learning contexts
- the role of VET organisations in strengthening workplace learning

While this agenda will take time to work through, an initial step involves the need for conceptual clarification in addressing learning and training issues in small business.

It needs to be recognised that:

- informal workplace learning includes incidental learning which occurs in the course of work
- workplace learning may also be structured and accelerated through methods such as coaching, mentoring, team and action learning
- it includes tacit learning which may lead to the generation of tacit knowledge and the fostering of innovation (Nonaka & Takeuchi 1995)
- it may take such forms as situated learning

These relationships between workplace learning, the generation and use of knowledge, and innovation are now critical in the context of the globalised knowledge economy. While there is significant literature on these relationships in large firms (Nonaka & Takeuchi 1995; Leonard 1998; Senge 1990; Kanter, Kao & Wiersema 1997; Davenport & Prusak 1998; Winslow & Bramer 1994), far less is known about these relationships in small firms. This is a key area for research in building an innovative and enterprise culture in Australia.

The research base does, however, suggest the need to take account of social models of learning as well as individual learning, in developing effective strategies for small business (Cullen et al. 2000). Pilot projects discussed in part II which involve strategies such as network and team building, and action learning demonstrate such models in action.

Some interesting British case studies in new industries, such as in the cultural industries show how structured workplace learning can be effective in 'doing and learning with others' (Raffo et al. 2000) and appears to be a key characteristic in certain new economy industries. The significance of contextualised and situated learning needs to be taken into account in segmenting learning and training markets and devising strategic responses. Understanding of this concept should be built into marketing and awareness programs:

In situated learning knowledge and skills are learned in contexts that reflect how knowledge is obtained and applied in everyday situations; situational learning theory conceives of learning as a socio-cultural phenomenon rather than the action of an individual acquiring general information from a decontextualised body of knowledge.

(Kearns et al. 1999)

Figure 1: Learning at and through work (ways of incidental learning)

Method/form of learning	1 Occurs:				2 Effectiveness*
	Often	Now and then	Nearly never	Total (N= 100%)	
1 learning new things under the responsibility of the boss or an experienced worker	29%	45%	26%	58	47%
2 learning new things with the help of an experienced colleague	20%	33%	47%	55	73%
3 learning by doing work with a growing degree of difficulty	33%	28%	39%	57	74%
4 learning by using handbooks, manuals etc.	24%	35%	41%	59	83%
5 learning by asking for help/advice from an immediate supervisor	22%	45%	33%	58	77%
6 learning by asking for help/advice from an experienced colleague	25%	54%	21%	56	71%
7 learning by asking for help/advice from a supplier	2%	38%	60%	55	-
8 learning by asking for help/advice from experts in other printing firm or a specialised firm	7%	18%	75%	57	-
9 learning by asking for help/advice from the technical division of importer/supplier	5%	37%	58%	38**	
10 learning by solving problems by yourself	62%	31%	7%	61	76%
11 learning by practising with new machines/ hardware/software	19%	34%	47%	59	70%
12 learning by visiting other printing shops	2%	18%	81%	57	-
13 learning by trips/visits to fairs	4%	33%	63%	57	-
14 learning by regular rotation on tasks which can keep your skills up to date	16%	33%	51%	55	-
15 learning from suppliers' instructions	7%	46%	46%	54	-
16 learning by doing non-routine jobs	24%	43%	33%	54	58%
17 learning by solving problems together with colleagues	26%	60%	14%	57	57%
18 learning by explanations from experts/ experienced people	15%	51%	34%	53	-
19 learning by direct employee participation	28%	48%	24%	54	33%
20 learning from experiences of clients/users of products	9%	26%	64%	53	-
21 learning from complaints of clients	12%	39%	48%	56	-
22 learning by involvement in management, planning, etc.	18%	33%	49%	55	30%
23 learning by self-study from textbooks of apprentices, etc.	11%	28%	60%	53	-
24 learning by doing jobs on your own in your own time	6%	21%	74%	53	

* Score of effectiveness: % of workers who claim that they learn a lot from this way of incidental learning. The effectiveness score has been calculated only for the workers who mention that the particular way of incidental learning occurs often in their situation. Example: 17 (29%) of 58 workers state that they often learn new things under the responsibility of the boss or an experienced mechanic. Of these 17 mechanics, 47% (8 workers) say that they learn a lot in this way. If less than 10 workers mention that a particular method of incidental learning occurs often, the effectiveness score has not been calculated.

** This item was left out of the Finnish questionnaire.

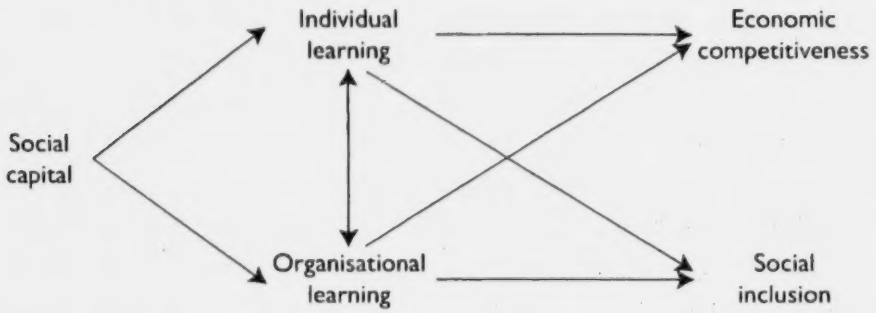
Source: van den Tillard et al. 1998, p.68.

BEST COPY AVAILABLE

By bringing social learning theories to underpin strategies for learning and training in small business, the wider benefits of informal workplace learning will be linked to accumulating human and social capital, capacity building and citizenship (Cullen et al. 2000). Such an approach also links to the concept of building learning communities as both an economic and social objective as illustrated in recent OECD work on learning cities and regions (OECD 2001).

The three-year OECD study on learning cities and regions tested a heuristic framework for the analysis of the conceptual relationships in the learning region model. These are illustrated below.

Figure 2: A heuristic framework for the analysis of the conceptual relationships in the 'learning region' model



Source: OECD 2001, p.31.

The potential to link strategies for learning, enterprise and skill development in small business to community oriented strategies, such as learning towns and cities, needs to be tested in Australian learning community development. OECD work suggests that there are grounds for believing that effective learning community developments can serve as a catalyst to the necessary cultural change in the small business sector.

While social learning is important, informal workplace learning can also enable people to 're-package' themselves by improving their meta-cognitive skills (in particular, learning to learn), increasing self-confidence and esteem, and improving social skills (Cullen et al. 2000). This links to the requirement to strengthen the acquisition of key generic skills, including the meta-cognitive skills, in all education and training (Kearns 2001).

Segmenting the learning and training market

A further key background question related to this study involves the often identified need to segment the small business learning and training market (BIE 1991; Coopers & Lybrand 1995a).

This requirement stems from the recognised substantial diversity which exists in the small business sector. With the impact of ICT and emerging new economy industries, there are grounds for believing that diversity in the small business sector has increased, making segmenting of the market increasingly important in the development of demand-driven strategies that are responsive to identified needs.

While this requirement has long been recognised, this issue is complex and there is little evident progress across the sector although a number of effective programs have been

devised for particular market segments and ANTA is currently addressing this question in the context of developing a national marketing strategy for VET (ANTA 2000).

An examination of Australian and British research points to a number of dimensions of difference which are relevant to identifying key market segments. These include:

1 Size
   - the BLS study shows that structured training increases with size with micro-firms a significant market segment (BLS 1998).

2 Age and life-cycle of the firm
   - the BLS study points to differences (BLS 1998; Kilpatrick & Crowley 1999).

3 Age and status of employees
   - age of employees and employment status (full time, part time, casual) are influences (Kilpatrick & Crowley 1999).

4 Educational background and qualifications of owner/manager
   - (BIE 1991; Coopers & Lybrand 1995a; Kilpatrick & Crowley 1999).

5 Industry sector
   - this dimension interacts with the other dimensions (BLS 1998; NSTF 2000).

6 Degree of turbulence in the industry
   - turbulent/non-turbulent industry sectors influence attitudes to learning and training (Folquera & Trullen 2000).

7 Extent of New Apprenticeship development in the sector and degree of maturity of training experience.

8 Market strategy adopted by firms and general positioning in the market
   - low skill/low cost strategy and high performance strategy mark the extremes (van den Tillaart, van den Berg & Warmerdam 1998).

9 Geographic location.

While these dimensions of difference are relevant to segmenting the learning/training market, it appears that multiple characteristics mark the key market segments for developing strategic responses with the interaction of these dimensions of difference significant. None of these dimensions of difference can stand alone as, for example, in an industry such as printing where a study of micro-printing enterprises in four European countries by van den Tillart and associates showed a range of market positioning by these firms which conditioned their attitudes to learning and training (van den Tillart et al. 1998). In their typology of market strategies, the van den Tillart team termed the various market strategies defence, midfield, forward and centre in adopting a metaphor from football.

This may be illustrated by the following examples:

Dimensions of difference	Defining characteristic	Special needs
1 industry (agriculture) location (rural)	seasonal workers	multi-skilling
Response: Rural cross-industry New Apprenticeship		
2 size (micro-firms) industry (various)	family micro-firms	business skills IT skills women in small business
Response: Short courses with family learning strategy		

These cases are discussed in chapter 5 as examples of good practice in customising training for identified market segments.

Supporting 'entrepreneurial gazelles'

A further market segment which has become more significant in recent years, often stimulated by the impact of new technologies, is start-up firms which aim for rapid growth from their inception, often in marketing a new technology or other product. The American National Alliance of Business (NAB) has designated these firms 'entrepreneurial gazelles' and has pointed out their growing significance in the American economy (NAB 1999b).

NAB in its discussion of these fast-growing companies points out that they frequently create flexible and informal ways to educate and train employees (NAB 1999b, p.1). Often e-learning and multi-media approaches are used by these firms in innovative ways in responding to 'the new rules of work flexibility; fluidity' so that the traditional training approaches often do not sit easily with these firms and are seen as too slow in keeping up with the pace of change in the more dynamic industries.

In ICT start-up firms in Australia it has been common for the poaching of staff from other firms to be the main means of acquiring knowledge and skill. Various government programs, such as COMET and ITOL, cater for aspects of growth of these fast-growth companies and some States have programs directed at their needs. It is unclear, however, how far the VET sector has responded to the needs of this key market segment.

This overview of research in workplace learning and the provision of structured training for small business throws up a spectrum of issues which are discussed further in chapter 3 which follows. We then discuss the current situation in part II and give our views on desirable future directions in part III.

3: Issues and opportunities

The overview of research on training and learning in small business above has identified a spectrum of issues that are relevant to the objectives of this study. At the same time, changes in VET and shifts in the context of VET throw up a number of opportunities for innovative approaches to meeting small business needs for learning and training in a context marked by the exponential pace of change.

The key issues to be taken up in parts II and III of this report include:

- whether the identified barriers to involvement of small business in structured training are being addressed through promotion, products, services and strategies
- whether bridges are being forged between informal workplace learning and the structured training system
- the extent to which online learning and multi-media approaches are being used to meet the distinctive needs and preferences of small business
- the extent to which there is co-ordination of effort and partnership in addressing small business needs with new forms of public/private partnership
- whether there is infrastructure and mechanisms to sustain good practice beyond pilot projects
- the extent to which the VET system has moved beyond a supply-side orientation to a demand-led approach
- whether there are signs of a new paradigm for learning and training in small business emerging
- whether there are effective responses to the diversity of small business with productive approaches to segmenting the small business learning and training market identified

There is a broad spectrum of complex issues that the present study, with its limited objectives, can only provide tentative answers while identifying key areas where further work is required.

If Australia stands on the threshold of a learning revolution, is small business in danger of being excluded in a new form of digital/learning divide? This is a critical issue in the light of current developments involving e-learning and e-commerce in large firms and the imperatives of the small business learning and training market.

However, it is also clear that the new learning technologies by themselves are not the complete answer and that technology needs to be accompanied by a development of learning strategies that harness the potential of technology for learning purposes in many contexts in effective learning strategies.

All OECD countries are grappling with these issues with a number of interesting models emerging in some countries. The British approach has value in illustrating an integrated approach in which skill formation strategies are integrated with learning strategies within a national framework to develop Britain as a learning society (Secretary of State for Education and Employment 1998, 1999). This approach involves 'joined-up policies' at the local, regional and national levels with new infrastructure, such as the national network of Learning and Skill Councils and Lifelong Learning Partnerships, used to blend and integrate policies and strategies. An overview of the British approach is given in appendix 2 to illustrate an integrated approach within a national framework for lifelong learning.

A key instrument in the British approach is the role of the University for Industry (UfI) and its Learndirect system which provides for people direct online access to a large number of courses supported by a national network of learning centres under new forms of public/private partnership.

In the Australian federal system the issues are more complex than in a unitary system such as Britain or Sweden. These complications are explored in part II below while possible directions for development are identified in part III.

While I have identified a spectrum of eight significant issues above, these can be re-formulated as three critical issues to be addressed in developing an approach to learning and training in small business appropriate to the world of the globalised knowledge economy:

- how to position learning and training in small business within a business development context
- implementing and supporting learning strategies in small business which address the distinctive needs of small firms and which link small business to the structured training system and to business service organisations in both business support systems and learning pathways through life
- development of local infrastructure to promote collaboration and partnership among stakeholders in new forms of public/private partnership so that good practice initiatives are sustained and extended

Addressing these issues goes to the heart of building a learning and training culture in small business.

Part II:
The current situation

Part II provides an overview of the current situation in the provision of training and learning services in respect of products and services, strategies and promotion.

4: Products and services

The development of the ANTA National Marketing Strategy has brought to the fore a suite of issues relating to the nature of VET products and hence their role in learning and training systems in the transition to a learning society.

In national consultations undertaken in 2000 on draft strategy options, the VET product was variously seen as 'a course', 'training module', 'the competencies or skills that result from training', or 'the skilled worker' (ANTA 2000c, p.15).

In reporting on work in progress in February 2000, ANTA correctly linked the concept of a VET product 'to the way people think about training' (ANTA 2000b, p.7) noting that 'if lifelong learning is about achieving the benefits of personal competence, economic resilience and social inclusion, the product is not simply defined as vocational education and training for work' (ANTA 2000b, p.7).

The transition from a traditional training paradigm to a society marked by lifelong learning means that additional layers of complexity, and richness and value, have been added to the concept of a VET product which must now be seen not only as an instrument for achieving specific competencies and skills (the training role), but also as a stimulus for lifelong learning and personal and social development. This enriched VET product will serve key educational, economic and social roles in the information economy and knowledge society.

These additional roles will obviously affect the nature of the product and the balance between specific vocational skills, key generic skills and other developmental components (Kearns 2001), as well as the learning strategies adopted. It is probable that key generic skills will become more significant in the future and that a new pedagogy for VET will evolve (Kearns et al. 1999 pp.123–9).

The nature of VET products is also being influenced by the impact of ICT and online learning. While this influence is still at an early stage, in particular in the small business sector, it will undoubtedly deepen and extend as e-learning becomes more common in business and society.

The current situation

These considerations influenced my approach to providing an overview of VET products for small business, in particular in commenting on the significance of the dual lines of development discussed below.

In observing the training and learning provided for small business across the board, it is useful to divide these into two categories:

1 accredited VET products

2 non-accredited short courses and special business programs

The significance of the considerable expansion in the second category, which international experience suggests will accelerate and increase, is discussed below and taken up in chapter 9.

1 Accredited VET courses

The development of VET products in recent years has involved the expansion of New Apprenticeships, the introduction of Training Packages and Toolboxes, and action to foster flexible online learning in VET institutions.

While these developments are directed at achieving greater flexibility and responsiveness in VET provision, their impact on small business remains problematic—at least in the short term—and requires further examination (Moy 2000).

The South Australian Department of Education, Training and Employment, in comments provided for this study, suggested that the VET system contributed to small business in three ways:

- technical training: This is the traditional trade training role which New Apprenticeships have now extended
- embedded financial, management and other business training as, for example, in post-trade courses
- dedicated small business training such as in the Certificates III and IV in Small Business

This is a useful framework for considering the role of VET products although it fails to recognise the VET contribution through fostering key generic skills which contribute to lifelong learning and personal development, and the maintenance of employability throughout a working life. There are strong grounds for adding this as a possible category which will become increasingly significant. In the knowledge society, no competence is more significant than the metacompetence of learning to learn (Kearns 2001).

The impact of Training Packages, and their adjunct Toolboxes, on small business demand for learning and training is still unclear and requires research. While the concept exists that 'Training Packages should be treated as a framework on which providers can customise training for small business' (NCVER 1998, p.2) the extent to which this has happened is not known and it is doubtful if this has been a widespread development in the light of the barriers and disincentives discussed elsewhere in this report.

A study by Moy on the impact of Training Packages on small businesses employing apprentices and trainees enrolled by NSW TAFE casts doubt on the extent of this customisation process (Moy 2000). Moy concluded that the training needs and preferences of small business were not well served by the recent VET reforms including Training Package implementation (Moy 2000). The training and assessment models advocated were seen as more suited to large businesses and the trainees and apprentices employed by these businesses. Overall, the impact of Training Packages on small business requires further research as an immediate priority.

Dedicated small business training

This category has particular relevance to the question of provision of VET products to meet small business preferences and requirements. Two recent examples may be taken to illustrate the VET role in this area and the potential of extending this approach based on identifying key segments in the small business learning and training market and developing customised responses.

These examples are:

- the development of Certificates III and IV in Small Business
- the development of rural cross-industry New Apprenticeships (now named Certificate in Rural Operations)

Certificates III and IV in Small Business

Research has demonstrated the key role of women in many small businesses including micro-family businesses (Barrera & Robertson 1996). This research also identified the gaps in training provision to assist women acquire the necessary knowledge, skills and competence to be effective in this context.

The Certificates III and IV in Small Business were developed to meet this need in an approach that emphasised flexibility.

- Certificate III was designed for people who either run one-person businesses, or are responsible for the administrative side of a family business.
- Certificate IV was designed for those running a small business with staff.

The certificates draw upon a range of Training Packages (such as the Administrative Training Package, Asset, Security Training Package, Transport and Distribution Training Package) so that units are offered that have an immediate functional relevance to people developing their own business. The areas offered include financial management, business planning, customer service, marketing, legal issues, taxation and e-commerce. The approach includes a strategy for the recognition of skills developed in a variety of ways, including working with mentors, while it is envisaged that RTOs will work with small business networks and groups to attract women into the program. A range of resources has been developed to support these qualifications.

Rural cross-industry New Apprenticeship (Rural Operations New Apprenticeship)

The development of this cross-industry New Apprenticeship illustrates a similar process of customisation to the certificates III and IV development, in response to the distinctive needs of particular market segments. In this case research identified particular needs arising from the prevalence of seasonal work which limited the demand for New Apprenticeships based on traditional occupations. This led to the customised solution of multi-skilling through a New Apprenticeship (Certificate in Rural Operations) which combined units from a number of Training Packages.

As with the certificate III and IV, the development process is of interest in illustrating how a coalition of stakeholders was brought together to devise an innovative solution. In this case, DETYA exercised leadership, funding a development project which brought together the Rural Training Australia network, Group Training Australia and its State associations, and individual experts in the area of skills development in rural areas with the author of this report as consultant.

Implementation of this qualification is only now commencing. The Group Training role will be critical in building demand for this qualification. The concept that many casual or seasonal jobs could be transformed into multi-skilled full-time jobs will be tested through this program.

General comment

The Certificates III and IV in Small Business and the Certificate in Rural Operations examples illustrate a good practice approach involving customisation in response to particular identified needs in small business. In each case a development project linked research, building a partnership of relevant stakeholders and implementing a customisation process that led to qualifications directed at particular needs in areas of small business. This development model could be more widely applied in adapting VET responses to identified key market segments in small business. In both cases modules were drawn from a number of Training Packages in a demand-led approach that focussed on meeting particular identified needs.

2 Non-accredited short courses and special business programs

A particular feature of recent years has been a considerable expansion of non-accredited short courses and special business programs driven by market demand and identified business needs in the context of the globalised knowledge economy. With the certain expansion of e-learning in business and industry, this demand can be expected to grow leading to the development of a parallel learning/training system to the formal VET system (Yarnit 2000; Drucker 2000). This phenomenon raises critical issues for VET policy which we discuss in the final chapter of this report.

The growth of short courses and special business programs in response to the preferences of many people in small business for 'bite size' courses that are short, sharp, specific and of immediate relevance, and to the challenges of the globalised knowledge economy with its shifting markets and exponential pace of change.

Large corporations around the world are recognising the advantages of e-learning in catering for 'just-in-time' demands from business in a cost-effective way (ASTD & NGA 2001). How e-learning can be adapted in the small business environment is a major issue that requires early research.

In the current transition situation, short courses and special business programs are being delivered in a range of ways including traditional face-to-face, multi-media packages and distance education, and through networks of firms. A wide range of stakeholders is involved and the landscape is marked with diversity and a lack of coherence.

For the purpose of this analysis, I propose to focus on the following categories of short courses and special business programs:

- Commonwealth special business programs
- State and Territory business services and programs

This excludes the growing number of commercial courses and packages, in particular in the ICT area, which are catering to the rising demand from 'free agent learners'. The implications of this growth require a separate study.

Commonwealth special business programs

A range of special business programs has developed. These include:

- Small Business Enterprise Culture Program (SBECP): DEWRSB, which supports skills development in small business
- Information Technology Online (ITOL): NOIE, which fosters business-to-business (B2B) e-commerce solutions, in particular by SMEs
- Commercialising Emerging Technologies (COMET): AusIndustry, which supports small businesses and individuals commercialise innovative products, process and services
- New Enterprise Incentive Scheme (NEIS): DEWRSB, for unemployed people wishing to start a small business
- the role of Austrade in supporting SMEs entering export markets

In addition to these examples other Commonwealth agencies support training and skills development for SMEs in furthering particular policy objectives of the agency. An example is provided by the role of the Department of Health and Aged Care in supporting training to foster consumer/provider collaboration and partnership and other areas of special interest to the department.

Small Business Enterprise Culture Program (www.dewrsb.gov.au)

SBECP was developed by the Office of Small Business of DEWRSB following the 1999 Commonwealth Budget as a three year program to foster the growth of small business by developing the business skills of small business owner/managers. This program has had a budget of $6.4m over three years and has a tripartite focus on three areas: skill, mentoring and women in small business. These interests connect to the VET interest in these areas including the SBPD program interest in mentoring which is discussed in chapter 5.

SBECP has supported some 90–100 projects since 1999 with grants ranging from around $5000 to $300 000. The program has not yet been evaluated but will be subject to an internal evaluation later this year.

Information Technology Online (www.noie.gov.au/projects/ecommerce/ITOL)

ITOL is administered by NOIE as a program designed to accelerate the national adoption of business-to-business (B2B) e-commerce solutions, especially by SMEs. In doing this ITOL aims to:

- encourage collaborative industry-based projects which aim to accelerate the adoption of business-to-business e-commerce solutions, especially by clusters of SMEs
- foster the awareness and strategic take-up of innovative e-commerce solutions within and across industry sectors which deliver sustainable economy-wide returns and contribute to increased competitiveness

The focus of ITOL on supporting clusters of SMEs links to the VET interest in building networks of small business which was a principal strategy followed under the Small Business Professional Development program (SBPD) which is discussed in chapter 5. This provides a basis for establishing linkages and synergies between ITOL and VET action.

A diverse range of innovative projects has been funded under ITOL which could supplement VET experience under SBPD (and other projects) and the emerging learning community experience. These include projects such as Dubbo City Online which provided 1800 local businesses with e-commerce opportunities (www.dubbo.com.au), the Master Builders – I-Build project which supported a whole-of-industry portal and promoting

awareness in the industry of IT opportunities, including IT online training courses (www.mbau.com.au) and the E-Global: Aged Care Online Portal which provides a portal to link to a range of services (including training) online.

These examples point to the substantial opportunities for collaboration between VET and ITOL in extending learning and training in small business.

Commercialising emerging technologies

COMET was launched in November 1999 to provide assistance to small businesses and individuals to commercialise innovative products, processes and sources in Australia. The program is administered by AusIndustry and provides funding of $30m over three years to June 2002 with some 700 firms likely to receive assistance over that period.

Assistance under COMET can be for either a tailored assistance plan or for management skills development.

New Enterprise Incentive Scheme (www.jobsearch.gov.au)

NEIS is administered by DEWRSB as a special program for eligible unemployed people directed at assisting such people to start their own business. NEIS provides a comprehensive package of assistance which includes small business management business skills and business plan development. Like SPECP, NEIS has a focus on mentoring with NEIS providers contractually obliged to provide NEIS participants with mentoring support during the first year of business operation.

Austrade services for export assistance

Austrade supports small firms wishing to enter export markets in a number of ways which build knowledge and skills relevant to exporting. These services include advice through the Export Marketing Advisory Unit, including assessment of market readiness. Workshops are conducted from time to time, including in regional areas, while Austrade has supported the development of training programs to assist firms new into export.

Such programs are now delivered through the Australian Institute of Export (www.aiex.com.au) which has a wide array of export facilitation programs. Austrade has developed a full global intranet and is able to use satellite delivery to provide information and advice to firms in particular markets—with the expansion of e-learning in business and industry, it is to be expected that online delivery will become increasingly significant in facilitating and supporting small firms entering export markets. Austrade already has a 'corporate university' known as the Austrade Institute.

Comment on Commonwealth business programs

These examples of Commonwealth business programs illustrate a number of areas where linkages and synergies could be established with VET action. These include the popularity of network and cluster building and mentoring in these programs, and the growing significance of online learning (e-learning).

We discuss network and mentoring strategies in chapter 5, which follows, and then take up in chapter 9 how a more integrated, holistic and whole-of-government approach to support learning and skills in small business might be progressed. A possible conceptual and policy framework for such a development is discussed.

State and Territory business services and training

All States and Territories provide a comprehensive set of small business advisory services which include training among the services provided.

It is usual for some of these services to be delivered by networks of small business advisory centres which take the form of Business Enterprise Centres (BECs) in most States.

While the pattern varies between States, New South Wales and South Australia may be taken as examples of the business services provided at a State/Territory level.

New South Wales

These programs are administered through the Small Business Development Division of the Department of State and Regional Development with most delivery through a network of BECs across the State.

Programs are structured around a business life-cycle approach which corresponds to the start-up, growth/development and maturity stages in the business life-cycle of a firm (www.smallbiz.nsw.gov.au).

Within this framework, three main business development programs are available for small business.

1 *Start up*
The small business advisory service which is outsourced to the network of BECs provides start up advice and training. Basic business advice and training is provided through the BECs and includes training workshops, assistance in preparing business plans, networking and access to business information.

2 *Development: the Small Business Expansion Program*
This program to support business development is available for firms with annual revenue in the range of $250 000–$5m. It has a focus on the growth and development needs of small firms across a broad spectrum of areas including human resource development, finance, marketing, regulations and legal knowledge.

3 *Maturity: planning for export*
The maturity phase of the business life-cycle brings a focus on assisting small firms that want to enter export markets. The export market planning approach adopted involves a planning model with six stages and up-date loops. A self-help workbook is provided with a Word template which is used by clients in writing their own export plan. Clients are guided to a range of international websites which provide an introduction to exporting. The department collaborates with Austrade in this export assistance activity.

The business life-cycle approach adopted by New South Wales could be aligned with a lifelong learning continuum for individuals in small firms and points to ways in which a conceptual and policy framework might be developed to provide for linkages between structured VET provision and short courses/special business programs on a lifelong learning/business life-cycle basis. We comment on this approach in chapter 9.

South Australia

Small business development in South Australia is promoted under programs administered by the Department of Industry and Trade. In the case of training, this is conducted through the Business Centre of the department while a network of Business Enterprise Centres is funded across South Australia.

The Business Centre conducts a wide range of workshops which are clustered in two areas:

- starting your own business
- better business

A similar range of subjects is available in these areas to those provided in New South Wales. The short workshop courses are of 2.5–3 hours' duration and it is common for participants to enrol in a number of workshops. The subjects covered in the Better Business series are broadly similar to those covered in greater depth in the Certificates III and IV in Small Business. Courses are not accredited.

Other short-course provision: AUSe.NET, WELL, Telstra

In addition to Commonwealth and State short courses, a spectrum of other short business courses exists. AUSe.NET, WELL and Telstra marketing programs illustrate these.

AUSe.NET (the Australian Electronic Business Network) is an industry-led national initiative established in partnership with governments across Australia to foster awareness of e-commerce among Australian SMEs.

AUSe.NET has developed a series of three-hour face-to-face business expansion workshops to help SMEs understand e-commerce. The workshops include a set of business decision tools, including an action plan, similar to the support provided in export workshops.

WELL (Workplace English Language and Literacy program) is administered by DETYA and provides funds to address workplace literacy needs. WELL is available in both large and small firms and performs an important 'gateway' function in developing motivation and capability for learning in many people previously lacking self-esteem and competence for learning.

I discuss in chapter 5 below the role of WELL as a gateway strategy in terms of experience of the Australian Light Manufacturing ITAB with their development of clusters of small firms under a national WELL project.

Results from the OECD and Statistics Canada International Adult Learning Survey suggest that the level of literacy needed in business and industry is substantially beyond the current levels of WELL funding (OECD 1998, pp.22–6) and that literacy needs serve as a barrier to many people in small business being motivated to access learning. A recent inquiry in Britain by the Moser Working Group confirmed the OECD assessments in the case of Britain (Kearns & Papadopoulos 2000, pp.57–8).

Telstra Customer Marketing Program illustrates a trend for large firms such as Telstra to offer multi-media packages, as a service to customers, in areas of high demand. This package on marketing for SMEs offers five program modules and a series of webcasts, which can be viewed at any time, for $135. The package includes exercises, ideas and case study examples.

General comment

This overview of training products and services for small business points to the diverse range of stakeholders involved and the overlap of effort. Overall, there is little co-ordination of effort in meeting small business knowledge and skill needs, so that potential synergies between various products and services are not sufficiently achieved.

A key factor in this situation is the development of a form of dual system with parallel lines of development comprising the structured VET system and the world of non-accredited short courses, special business programs and workplace learning.

There has been considerable development in the latter stream, driven by a rising demand for 'just-in-time' knowledge and skills, and with the growing impact of e-learning (and e-commerce), this provision is certain to grow. In a world of exponential change and shifting

boundaries and markets, meeting the demand for 'just-in-time' knowledge and skill will become increasingly important.

There is a spectrum of critical issues arising for VET from this situation with choices that go to the future of VET in the knowledge society. Whether bridges can be established between the educational and developmental role of VET and the world of 'just-in-time' knowledge and skill and experiential learning is taken up in chapter 9 of this report.

5: Strategies

After a decade of pilot projects and programs, a good deal is now known about strategies for learning and skill development that are effective in the small business environment. The challenge is now to mainstream these good practice strategies and to bring about the necessary partnership development and cultural change to underpin their wider implementation as a national strategy for building a learning, skill and enterprise culture in small business.

A particular source of useful insights into strategies that work in small business is the Small Business Professional Development Program (SBPD) which operated between 1995–96 and 1999, with the various reports under this program of value in pointing to effective strategies (DETYA 1998; Kearney 1999, 2001). The National Summative Evaluation Report sums up the lessons of SBPD over the period of 1996–2000 (Kearney 2001).

The direction of the SBPD experience was to identify and test a set of 'collaborative self-help models' (Kearney 2001 p.57). The collaborative self-help approach was found to fit the way small business learns with a strong reliance on a 'business-to-business ethos'. This approach aligns with our overview of workplace learning in chapter 2, with the growing significance of informal learning (with varying degrees of structure) and concepts of lifelong learning. The reliance on peer learning, or social learning models as discussed in chapter 2, was found to appeal strongly to small business people (Kearney 2001a, p.53).

In addition to the practical experience of SBPD over four years, there is a sound theoretical justification for a workplace social learning approach in terms of recent development in learning science (NRC 2000). The challenge we discuss in chapter 9 is how to link this foundation of workplace social learning with the structured training system so that more learning pathways are opened up for people in small business and so that the mix is richer and deeper in contributing to building Australia as a learning society.

The SBPD approach was based around eight collaborative self-help models. These were:

- mentoring
- building networks and clusters
- action learning
- workplace coaching
- diagnostic services
- direct training

- attracting participants
- benchmarking and low risk buying

While the SBPD suite of strategies provides a foundation for a holistic and integrated approach to learning and skill in business, certain developments since 1999 add to the mix of strategies. These include further insights from international experience into effective incentive strategies and, in particular, the escalating impact of e-learning in businesses around the world. The VET Action Plan for Flexible Learning (2000–2004) was developed after the SBPD experience and significant new approaches to fostering workplace learning are now emerging around OECD countries (Kearns & Papadopoulos, 2000).

Of particular significance are attempts to link e-learning with experiential learning strategies (such as action learning) and face-to-face teaching in blended learning systems. In some cases such blended learning systems have been built around a conceptual framework such as is provided by a learning organisation model. Deloitte Research has produced such a model which is discussed in chapter 9 in terms of developing a life-cycle approach to integrating learning, training and enterprise services for small business.

The current British experience with the University for Industry involves a national effort to harness modern technology, with a large number of courses available online through Learndirect supported by a national network of franchised learning centres. Supporting learning and skills in small businesses is one of the priorities identified by the British Government for Ufl. We comment further on Ufl in appendix 2.

Building networks and clusters

> *Networking and networks are the keys to the way small business does business and the way it learns.* (NCVER 1998)

Building networks and clusters of small firms is one of the key strategies to emerge from SBPD. The relevance of this strategy for small firms is confirmed by other research in Australia (Kearns 1995; Kilpatrick & Crowley 1999; NCVER 1998) and overseas (Marchmont 2000c; Murphy 1997).

Building small firms into interacting networks or clusters is the foundation strategy for a collaborative self-help approach. The benefits of networks, when well conducted, are well documented in Australian and overseas research (Kearney 2001; Murphy 1997).

Networks and clusters, when well conducted, can:

- involve a high degree of business-to-business activity
- provide peer support and engender confidence and motivation for learning
- stimulate the flow of new ideas and generally foster innovation
- provide a practical environment that suits small business preferences
- evolve into learning communities (communities of practice)
- contribute to building social capital and human capital in the participating firms

However, these benefits do not automatically flow and the experience of SBPD network projects points to the need for effective promotion and facilitation (Kearney 2001).

BEST COPY AVAILABLE

The key role of learning networks in small firms is supported by social learning theories and is reflected in papers prepared for the British Marchmont Observatory:

> *Effective learning is a social activity in which tools for learning are acquired, guided and mediated by others.* (Marchmont Observatory 2000c)

Effective network development can enhance the process of learning from people, learning through people and learning with people as, for example, in action learning (Marchmont Observatory 2000c, p.1).

In addition to Australian network initiatives, network development among SMEs has been actively fostered in Britain and the European Union. Case studies have been supported in Denmark and Ireland applying the PLATO network model (Marchmont Observatory 2000c, p.3) with the experience of the Irish NetMet project under FASNET subsequently available for other EU countries.

The experience of the Irish FASNET project in developing a learning network for small business is of interest in that learning organisation concepts and strategies were explicitly applied in building networks (Murphy 1997). On the other hand, the Australian SBPD network projects do not appear to have applied learning community and learning organisation concepts and strategies in network projects (Kearney 1999, 2001).

Papers from the British Marchmont Observatory also conceptualise networks of small firms as learning networks, or communities of practice and see their development in terms of social theories of learning (Marchmont 2000c). This approach recognises that 'work-based learning combines theory with practice and explicit and tacit forms of knowledge' (Marchmont 2000, p.2).

This seeming absence[b] of a conceptual underpinning for network development under the SBPD projects can be seen as a limitation in applying a network approach to small business learning. It is important that the key strategy of building networks and clusters of small firms should be seen as constructing learning communities of practice with strategies applied to enhance and deepen social learning in collaborative frameworks. This may also lead to the spin-off effect of individual small firms explicitly developing as learning organisations as they grow and develop. I comment further on this question in chapter 9.

Network strategies can build on existing networks such as supply chains of firms where it is common for quality requirements to involve skill development. The American National Alliance of Business has actively promoted the concept of knowledge supply chains in analogous terms to the concept of a materials supply chain (NAB 1999). This concept is useful in the knowledge era in requiring firms to consider the sources of their required knowledge and skill, and hence can be a stimulus to education/industry partnerships.

Network development is also brought into Australian special business programs such as ITOL and export support programs where a central objective is often to foster networks of co-operating small firms.

Overall, substantial experience in building learning networks of small firms now exists in Australia and Europe. Lessons from the SBPD program have been brought into a useful guide for effective learning networks as one of the products of the SBPD experience

---

[b] While the SBPD project reports do not conceptualise networks as learning networks or communities of practice, Jackson in a 1999 guide produced under SBPD gives a good analysis of networks as learning networks and identifies 15 strategies to enhance their effective development (Jackson 2000).

(Jackson 2000). It is well established that building effective learning networks of small firms should be one of the pillars of a national strategy for learning and training in small business.

Mentoring and coaching

It is also well established in Australian and international research that fostering mentoring and coaching should be a second pillar of a national approach (Kearney 2001; Marchmont 2000a). Peer learning through mentoring and coaching is well suited to the small business environment and culture and provides a valuable strategy for fostering ongoing learning in small business and building a learning culture.

Mentoring was one of the key strategies supported under the SBPD program and there are a significant number of case studies available to illustrate mentoring strategies in different business contexts (Kearney 1999, 2001). It is also built into a number of the special business programs discussed in chapter 4. In some countries comprehensive mentoring schemes exist as, for example, with the national SCORE program in the United States where local chapters of former business executives exist across the country to provide mentoring support to firms.

There is substantial evidence that mentoring fits the small business environment, as its spread testifies. Mentoring has built-in motivation, is business specific and practical, and can be 'profoundly supportive' (Kearney 2001, pp.53–4). The Marchmont Observatory identified three key functions of mentoring as 'educative, supportive and managerial' (Marchmont 2000c, p.2). This view points to the role of mentoring and building learning networks of small firms as key strategies in building a learning culture and demand for learning, in the small business sector.

The role of business counsellors is closely related to a mentoring strategy and a 1998 NCVER *Research at a glance* summary on small business and VET points out that the more successful programs for small business in Britain and America put small business in touch with business counsellors as soon as possible.

Incentives for participation

One of the key areas to address in building a demand for learning and a learning culture is to have a system of incentives that built motivation for learning and training. A study of incentives adopted across five OECD countries by Kearns and Papadopoulos showed how a diverse range of incentive policies were in place directed at both intrinsic and extrinsic motivation for participation (Kearns & Papadopoulos 2000, pp.60–7).

There have been some interesting initiatives in Australia in recent years directed at using voucher-type schemes as incentives for participation in training. Such voucher or 'Ticket to Training' programs have been implemented in Victoria, New South Wales and South Australia and possibly in other jurisdictions.

These schemes are reasonably similar in that a voucher (or Ticket to Training), usually for $500, is issued to identified small firms to cover the cost of training directly related to the business operations of the firm. While the general approach is similar, there are some variations in the conditions between jurisdictions.

The New South Wales Business Training Bonus Scheme has been evaluated with a 2000 report valuable in providing perspectives on small business responses to such schemes (NSW Department of Education and Training 2001). While the initial response from

small business was slow, when the scheme was restructured and revitalised there was an increased take-up of vouchers. The RTO role was identified as vital with professional development needed. Overall, this evaluation concluded that 'a financial incentive is vital in stimulating small business to access training' (NSW Department of Education and Training 2001).

The Australian Chamber of Commerce and Industry (ACCI) has addressed the issue of incentives for employers from time to time and has proposed a Learning Bonus Scheme of incentives in respect of existing workers (ACCI 2001). This proposal involves an allocation to an employer for employees who complete a formal qualification at AQF3 or above so that there are incentives for employers to encourage employees to access further training.

While evaluation of inventive schemes such as the British individual learning accounts have been positive (SWR Counselling 1999), there are grounds for believing that incentive schemes need to go beyond financial incentives and to include strategies directed at the broader conditions identified in the NAGCELL report that influence an intrinsic motivation for learning. Peer strategies such as networking and mentoring have considerable value in this regard, as do benchmarking schemes such as the British Investors in People (IiP) program.

Benchmarking strategies

The SBPD program identified benchmarking and low-risk buying as 'two very potent strategies for enticing small enterprises into more structured approaches to training/ learning' (Kearney 2001, p.19).

The national summative evaluation report on the program noted, however, that the program did not adequately develop and test these strategies (Kearney 2001, p.59). It observed that this approach was superbly illustrated by the Retail Traders Association's Total Retail Improvement Program with this program outlined in a case study in the Kearney report (Kearney 2001, pp.153–60). The Retail Traders scheme clearly illustrates good practice in a business association-led scheme.

There is significant national experience in using a benchmarking approach in the British Government's use of learning targets for small business based on the benchmark provided by the Investors in People (IiP) scheme. This approach is discussed in appendix 2 with the target set of 10 000 small firms achieving the IiP benchmark by 2002. There has been significant progress so that the Learning and Skill Council was able to report that 6147 firms had achieved this benchmark by 2000, up from 2995 in 1998 (Learning and Skills Council 2001, p.23). A benchmarking scheme like IiP could be a valuable component in a suite of Australian measures directed at extending learning and training in small business.

Action learning

Action learning was also identified in the SBPD reports as an effective learning strategy for small business in a collaborative self-help approach (Kearney 1999, 2001). It was observed that many of the SBPD projects used some form of action learning although often in ways that bounced around between discovery learning and peer learning (Kearney 2001, p.56).

Kearney notes that 'classical' action learning involves a group of stakeholders, forming a team to solve a real workplace problem they share. He also observed a number of difficulties in the use of this strategy where the strategy was imposed by outside bodies (Kearney 2001, p.56).

While the issues identified by Kearney are real, action learning has been widely applied successfully in building learning organisations and learning communities, although usually in large firms such as General Electric, Arthur Andersen and Whirlpool (Marquhardt 1996; Watkins & Marsick 1993). With the growing international interest in strategies to foster effective workplace learning, there are strong grounds for believing that action learning should be a component in a suite of learning and training strategies for small business.

Projects run under the Irish FASNET program and some of the SBPD projects illustrate how action learning can be used with networks of small firms, or in individual small firms where it becomes a strategy for team building, team learning and knowledge generation.

The key role of technology

> *The Commission on Technology and Adult Learning foresees a future in which e-learning allows learning to become a continuous process of enquiry and improvement that keeps pace with the speed of change in business and society.* (ASTD & NGA 2001, p.4)

The SBPD projects were conducted before the current international wave of interest in e-learning gathered pace, so that the SBPD reports do not identify online learning among the collaborative self-help models developed by the program, although some projects on e-commerce were sponsored.

While the VET Action Plan for Flexible Learning is a major four-year collaborative program to promote online learning over the period 2000–2004, it has had up to now a supply-side orientation and focus and has not examined how online learning might be used as a catalyst to foster learning and training in small business (DETYA 2000). Overall, there is little systematic VET experience in applying online learning for small business documented and the main effects for small business will be down-stream

In the corporate world, there has been an explosion in the use of e-learning and there appears to be a growing gap between large and small firms in the use of e-learning in a new form of digital divide in society.

A recent report by the joint American Society for Training and Development and National Governors Association Commission on Technology and Adult Learning points to the radical dimensions of the technology revolution (ASTD & NGA 2001):

- Corporate e-learning in the United States is a $1.2 billion market and is expected to grow to a $7 billion market by 2003.
- Firms in the ASTD Benchmarking Forum expected a 117% increase, on average, in the use of learning technologies between 1999 and 2002.
- A recent survey by the International Data Corporation affirmed the growing popularity of the World Wide Web as a training medium.

(ASTD & NGA 2001, p.10)

Other assessments of the growth of the e-learning market show an even more rapid growth. International Data (IDC) in a recent assessment predicts a growth in the market to $11.4 billion by 2003, up from $2.2 billion in 2000 (ASTD 2001).

The reasons for the explosion of development in larger firms are not difficult to identify and are set out in the ASTD & NGA Commission report (pp.11–13). These include:

- improved business efficiency and performance
- enhanced quality of education and training

- a more competitive workforce
- greater equality of opportunity for individuals
- increased levels of literacy
- strengthened families and communities (ASTD & NGA 2001, p.11)

Other benefits identified from e-learning applications include the provision of learning that is up to date and immediate, the focus on the learner rather than the teacher, the capacity to individualise applications and the capacity for ongoing monitoring of progress (ASTB 2001, p.5).

In addition to this mix of economic and social benefits, substantial cost savings have been reported by firms converting from traditional training to e-learning systems. The ASTD & NGA Commission cites a 1999 report by W R Hambrecht & Co which concludes that 'corporations save between 50–70% when replacing instructor-led training with electronic content delivery' (ASTD & NGA 2001, p.12). A recent Australian article cites similar savings by firms such as ANZ and QANTAS (Gibbons 2001).

The ASTD & NGA Commission adopted a vision statement for e-learning which is given in appendix 4 of this report. The principles incorporated in this statement are as relevant to small business as to large firms. If the ASTD & NGA Commission assessment is correct that e-learning will contribute to the transformation of the workplace with training giving way to learning solutions, the critical question is posed as to how small business can be assisted to share these benefits.

A significant aspect of current American development is a trend towards 'blended learning' solutions with e-learning linked to face-to-face instruction and experiential learning strategies such as action learning, in comprehensive strategies directed at synergistic relationships between these modes of learning.

If these benefits are to extend to small business, this means that the good practice strategies identified by the SBPD program will need to be linked to e-learning strategies so that pedagogical change accompanies the march of technology. There is a compelling case for early research into these issues. As a recent article in the Australian observed, 'technology is pushing pedagogy to the forefront' (Newman & Scurry 2001).

It is relevant to note that a number of the business programs discussed in chapter 4 above aim to promote ICT capability among networks of small firms in areas such as e-commerce. These include ITOL, while a number of State business programs also promote e-commerce in small firms. There is a strong case to link the promotion of e-commerce and an ICT capability in small firms in general, with the fostering of e-learning in the small business sector so that e-learning accompanies the promotion of e-commerce. There is an area that requires early examination by the relevant agencies.

It is also relevant to note that the SBPD program sponsored some e-commerce projects with the findings and lessons brought into a SBPD report on e-commerce (John Mitchell & Associates 2000). This foundation work should be taken further in an examination of how e-learning and e-commerce can be jointly promoted in small business, linked to pedagogical innovation and the forging of learning networks of collaborating firms. This should be a key plank in a national business innovation strategy.

International assessments points to the rapid expansion of e-commerce in the small business sector. The United States Small Business Administration estimates that 85% of small businesses are expected to conduct business via the World Wide Web by 2002 (2000a, p.i). The predicted expansion of e-commerce provides a window of opportunity to link the e-

learning habit to a growing e-commerce way of doing business so that ongoing learning becomes a key ingredient in the small business culture in the information age.

Addressing barriers to participation

The strategies discussed above have been developed as ways of addressing the barriers to participation discussed in part I of this report.

The 'collaborative self-help models' developed under the SBPD program have been seen to be effective when special project funding is provided although mainstreaming these approaches without special funding raises further issues (Kearney 2001).

Where project funding is provided, the SBPD strategies fit the small business environment and culture in which peer learning, informal learning and networking are normal modes of gaining business knowledge, skills and experience. These methods are not intrusive in time, have a practical orientation and relevance, and can be relatively low cost.

They can also be used to build confidence and self-esteem, and a renewed motivation for learning in people with negative attitudes towards learning and training from past experience.

For these reasons, the SBPD self-help strategies are effective in addressing barriers to participation and opening gateways for ongoing learning.

Where special funding is not provided there are no panaceas in addressing the barriers to participation and there are disincentives in terms of the relative greater attraction of markets involving larger firms and overseas students. In this context, we discuss in chapter 6 which follows action taken by providers and other stakeholders, to promote learning and training for small business in ways that address the barriers to participation identified in part I of this report.

Developing a gateway strategy and follow-through

The need to foster motivation and capability for participation in learning activities on a whole-of-life basis, suggests the need to develop and link 'gateway' strategies for small business which both meet immediate business and personal needs while also stimulating a motivation for ongoing learning. This will require well-developed linkages and pathways between the gateway strategies and follow-through provision.

The analysis of this report suggests that a range of strategies can serve the gateway function. These include:

- using business-specific modules
  - this is the bulk of current business training
- the WELL strategy with literacy acquisition for employees as the gateway
- acquiring IT skills
- e-commerce as a new key business imperative
- new government regulation such as the GST or OH&S regulation

In this way a range of business and personal imperatives can serve as a gateway, provided there is appropriate follow through. The follow-through role is where VET can make a larger contribution than now. Ways of doing this are discussed in chapter 9 as aspects of a ten-point strategy.

There is already significant experience in the use of the Workplace English Learning and Literacy Program (WELL) to not only address workplace literacy and communication needs, but to serve to foster motivation for further learning and training.

The Australian Light Manufacturing ITAB, in advice provided for this study, pointed to its experience with its national WELL project which involved establishing clusters of small businesses in several States for the project (ALMITAB 1997). The project explored how communication issues could be addressed within the context of occupational health and safety, quality assurance, industrial relations, teamwork and other developments, as a step towards longer-term development of a training culture (ALMITAB 1997, p.7).

The national WELL project of the ALMITAB illustrates very well how a WELL gateway strategy can be linked to the network/cluster models emerging from the SBPD program experience to address recognised business issues while also contributing to building a learning and training culture and longer-term perspectives.

There is a need for further national projects along the lines of the ALMITAB national WELL project to develop the gateway/follow-through model. A key area to be examined is how current developments in e-commerce could be linked to the promotion of e-learning as a gateway strategy aligned with building networks of collaborating small businesses and directed at building a learning and enterprise culture in small business.

6: Promoting the benefits of learning and training

The role of training providers in the promotion of training and learning in small business should not be viewed in isolation from the context of the policy framework and the totality of the promotion effort involving the roles and initiatives of a range of public and private providers. Rather, a systems perspective is required so that the role of providers is seen as the tip of an iceberg encompassing a large range of public and private stakeholders responding to a mix of incentives and disincentives.

We attempted an overview of this broader landscape in chapter 4 where we reviewed the training and learning products offered through the programs of Commonwealth and State agencies. Promotion is intimately related to the nature of these products and their intended market targets.

Similarly, the balance of incentives and disincentives provided through public funding policies has a profound influence on initiatives taken, and not taken, by providers in promoting the benefits of training and learning. For this reason the influence of incentives discussed in chapter 5 is significant.

The evidence examined in this study tends to support the conclusion of Kearney (2001) that incentives for providers to actively promote small business markets are not strong, with greater commercial profits to be gained in other markets. We had similar comment from several TAFE institutes. Hence the question posed by Kearney 'Is the training industry interested?' is pertinent. Reasons cited by Kearney include other more important priorities and a lack of funding (Kearney 2001, p.39).

Against this background, the key aspects we examined were:

- the promotion of New Apprenticeships
- strategies adopted by providers
- strategies adopted by other stakeholders

Promotion of New Apprenticeships

The promotion of New Apprenticeships has been the major initiative undertaken to promote the benefits of training over the past five years. The success of the promotion is reflected in the growth of apprentices and trainees in training from around 150 000 in 1996 to 303 390 at 31 March 2001—an increase of 98.7% since 1996, with a growth of 11.2% on the previous year (NCVER 2001).

The effectiveness of this promotion effort reflects a number of influences: the financial incentives offered to employers taking on apprentices and trainees, the key role of the New

Apprentice Centres (NACs), the support of industry associations to expanding new apprenticeship numbers and the new flexibility introduced into apprenticeship policy.

While the promotion of New Apprenticeships has clearly been successful, there is no research evidence available on whether the extension of New Apprenticeships has impacted on the willingness of employers to provide training for existing staff.

While such spin-off effects might be expected if the expansion of New Apprenticeships contributes to building a learning and training culture, only anecdotal evidence is currently available. There are documented case studies where contact with the apprenticeship/traineeship system has motivated employers to invest more broadly in training (Kearns, Murphy & Villiers, 1996), but in the cases known to the author of this report, this influence interacted with an entrepreneurial drive in the firm so that cultural factors appear to be significant in the nature of the impact and outcomes.

Strategies adopted by providers

The strategies adopted by providers in the cases brought to my notice were influenced by the general considerations discussed above so that promotion was usually targeted to have an immediate business relevance. This approach typically involved:

- promoting 'just-in-time' training to satisfy immediate skill shortages and business imperatives as opposed to marketing full qualifications
- linking training to bottom-line business outcomes
- promoting the benefits of skilled workers and the capacity to be more productive and innovative
- promotion of small business skills to support existing technical/industry skills for employers

This business-led, demand-driven approach makes considerable sense in the light of the barriers and preferences of small business discussed in part I of this report. The approach adopted by Southbank Institute of TAFE is typical in illustrating this sensible pragmatic approach.

This approach is also adopted by NSW TAFE in its promotion of TAFE PLUS as 'practical training for small business'. TAFE PLUS offers 'short, sharp and focussed training programs to fit small business needs. Recognition of prior learning assessment only pathway, face-to-face or self-paced learning and special programs such as Customer Relations and a GST Business Skills Workshop (GBEN 2001).

This approach also aligns with the strategies adopted by business service organisations such as business enterprise centres (BECs) and industry associations, as discussed in chapter 4 above, which are often aligned with stages in the business life-cycle and opens the way for greater collaboration and co-operation between the VET system and business service organisations.

This demand-driven approach often leads to customised training based on client needs and often involves customised packages of modules selected from Training Packages. When well adapted to small business needs and preferences, such an approach can open pathways to the subsequent achievement of VET qualifications.

While the pragmatic 'just-in-time' approach to promoting the benefits of training in the small business environment has considerable appeal in this environment, it remains unclear

how far flexible delivery strategies have been implemented as a necessary support to this approach.

The advantages of flexible delivery options have been widely recognised over the past decade (Kearns 1993, 1997), but it appears that substantial cultural and other barriers remain to the wider adoption of web-based, workplace-based, RPL-oriented systems.

These impediments were stated by one TAFE institute in the following terms:

> *However, from a provider position these are expensive options and unless adequately funded by government are not seen as viable in a full-fee paying strategy as small businesses cannot afford the products.*

This reality draws attention to the priority need to examine how the costs in provision of workplace flexible learning strategies can be reduced for both small business and providers, so that flexible learning options become more widely available for small business. Such an examination should include the potential of linking to network development in sharing costs and the expansion of online courses linked to local tutorial and mentoring services. British development with the large number of Learndirect courses available online linked to the national network of University for Industry local learning centres illustrates such an approach.

The general approach we observed of linking the benefit of training to recognised business needs was facilitated by regular employer and student surveys which are commonly conducted by public providers and through State-based planning action in consulting to identify skill shortages and priorities.

Some comments I received also took the approach of recognising that it is important to separate the promotional strategy and incentives for employers from the needs and wants of employers in respect of their employees.

This is a valid distinction and recognises that the pragmatic 'just-in-time' approach preferred by many small business employers does not convey the same power and force for employees in small business. This distinction has been recognised in the work done under the ANTA marketing strategy and is followed in British policy for the development of learning and training for small business which is discussed in appendix 2.

While individuals often are influenced by a broader range of motivations for learning than many small businesses (Kearns et al. 1999), it is probable that maintaining employability in a world of constant change will become an increasingly powerful motivation for many individuals. This has already been the focus of considerable attention in Britain and the European Union (CBI 1999; Kearns & Papadopoulos 2000) and is reflected in America in the growth of the market for 'free-agent learners'. It is probable that employability will become a more significant issue in Australia and will gain power as a motivation to learn by individuals in small firms.

While Britain has a multi-faceted approach to promotion directed at employers and managers, additional incentives are directed at employees as individuals. These include incentive programs such as Individual Learning Accounts and the general promotion of the benefits of lifelong learning for individuals, families and communities (Kearns & Papadopoulos 2000).

Although this distinction should be recognised in promoting the benefits of learning and training for small business, there are also grounds for following the British approach and adding communities as the third potential target through strategies such as learning cities, regions and community regeneration initiatives. Building a learning culture in small

business will be strengthened and facilitated through the synergistic interaction of policies and strategies directed at these three stakeholders. The potential of community-based strategies has been recognised by the American Small Business Administration in its 1998 report to the President (US Small Business Administration 1998a).

Such an approach will involve a blend of short-term pragmatic motivations (the business bottom-line) with longer-term developmental objectives that motivate individuals and communities. Cultural change will occur at the intersection of these strategic directions.

Linking products to identified business imperatives

In our consultations the comment was made that successful promotion of training often depends on a business imperative such as entering export markets, or new regulation such as business tax BAS obligations.

The structuring of business services training and much VET short-course provision, as discussed above, typically follows this approach, so that the relevance of training is clear and practical

There are grounds to take this approach further in promoting VET products, possibly in linking to the business life-cycle. We discuss this approach in chapter 9.

Products available for business under the European Union HOS portal also illustrate this approach. The HOS web site (www.hosadapt.net/prod) provides access to products developed under EU funding across all 15 EU member states. At present 196 products are registered on the site.

An example of a HOS product is the Business Builder program which helps SMEs that are under-performing or are otherwise struggling to become more competitive and resilient. A summary of Business Builder is given in the exhibit below.

Exhibit 1: Business Builder

CD-ROM/manual/manual, database pedagogical package

The Business Builder program helps SMEs that are under-performing or are otherwise struggling to become more competitive and resilient.

The Business Builder program is based on what works best to promote competitiveness, diversity and competence in all SMEs. The program provides a 'whole approach' to sustainable business building. It defines barriers to progression in the context of an SME's potential and provides a tailored assessment, support and guidance route to achievement. The product is simple to use and it is an empowering process for the SME undertaking the program. The product has its own award structure, it is available in four languages and it has been tested successfully in a range of different countries and contexts.

The EU HOS example illustrates how VET provision for small business could be developed further in being related to business imperatives, such as regenerating an under-performing firm, or entering export markets, so that the practical relevance, and bottom-line value, is immediately evident to small business owner/managers. While many providers are already taking this approach in providing training to small business, drawing modules from a range of Training Packages, there would be value in partnership and collaboration between providers in devising such packages drawn from Training Packages and with multi-media support, focussed at the critical imperatives for small business. We discuss this question further in chapter 9 in proposing a business life-cycle approach linked to the development of learning enterprises in a learning society.

47 BEST COPY AVAILABLE

Perceptions of VET by firms

While the promotion of 'just-in-time' training by VET can be effective there is research evidence that small firms often still find VET formal training programs costly and inflexible.

Figgis and associates, in a study involving a series of case studies, concluded:

> *The enterprises in our study also pointed out that formal procedures are often costly (informal processes appear to be more economical) and many formal training programs are still very inflexible.* (Figgis et al. 2001)

This study also noted the significance of the interplay between formal and informal training and learning, and the central significance of informal strategies for skill development and knowledge in small firms (Figgis et al. 2001, pp.1–11).

Strategies adopted by other providers

Our scrutiny of other providers outside the VET system suggested that similar strategies were adopted in promoting the benefits of training. The pragmatic 'just-in-time' approach is typically adopted by business service agencies, including the networks of BECs, so that the benefits of participation in workshops, field days and other programs, are clearly evident to participants.

This demand-led/relevance-led approach is also evident in special business programs such as ITOL and COMET, although in such programs it is linked to the promotion of particular benefits to SMEs such as entering e-commerce markets and commercialising emerging technologies. In these cases the benefits to firms are also clearly evident.

What is the distinctive VET role and contribution?

This overview of promotion of training and learning to small business suggests a number of themes in a distinctive VET contribution. These are:

- a starting point (or gateway) in the pragmatic business oriented 'just-in-time' strategy we discussed with a focus on business imperatives
- progression through these business-oriented gateways into accredited VET courses such as the Certificates III and IV in Small Business and customised packages devised to meet identified market segments (e.g. Certificate in Rural Operations)
- a focus on marketing learning to both individuals and communities on a longer-term whole-of-life basis so that broader educational and developmental objectives and dimensions are brought into a comprehensive strategy
- an active promotion of the benefits of e-learning linked to related developments such as the promotion of e-commerce and also linked to pedagogical innovation directed at 'blended learning' strategies that fit the small business environment
- an active promotion of learning networks of small firms

We discuss in chapter 9 below such a promotional strategy could be brought into a broader conceptual and policy framework for fostering learning, skill and enterprise in small business.

7: Assessment of progress

Much of the development discussed in this report is very recent and few formal evaluations exist yet to provide evidence of outcomes. This is particularly the case with respect to assessment by providers of the impact of the product and services they provide to small business, where the general considerations discussed in this report result in a situation where there are not strong incentives for providers to monitor and measure the impact of their products and services for small business.

There are partial exceptions to this situation in the use of surveys by many providers to ascertain the views of employers but I was unable to find evidence that such surveys are focussed on the issues discussed in this report.

There is good evaluation evidence in the case of special funding programs, such as the Small Business Professional Development (SBPD) program and some State and Territory special programs, but research directed at the mainstreaming of provision for small business is far less a feature of the situation I discussed. In the case of special funding programs such as SBPD, there is quality evidence in a number of reports (DETYA 1998; Kearney 1999) that I have drawn on in this report. Some State special programs, such as the NSW voucher scheme (NSWDET 2001) have been evaluated and add to the body of knowledge on small business learning and training.

The general lack of recognition of small business as a priority market is also shown in the paucity of research evidence on the impact of online learning provision for small business. While the VET Action Plan for Flexible Learning 2001–2004 has a substantial research and development program over this period, there has been an almost exclusive supply-side orientation in the development of this program to date and research evidence is not available from this program on the impact of online learning on small business.

The few studies which have examined the impact of mainstream measures such as Training Packages reinforce the impression gained from studies over the decade, such as those of Field (1997, 1998), that training reform has had an orientation towards the 'big end of town', with the needs of the 'small end of town' less taken into account in policy development and implementation. A recent study by Moy of the implementation of Training Packages in New South Wales (Moy 2000) adds to this view. Moy examined the impact of Training Package implementation on small businesses employing apprentices and trainees enrolled by TAFE NSW and concluded that the training needs and preferences of small business were not well served by recent VET reforms with the training and assessment models advocated more suited to large businesses (Moy 2000, p.3).

While these are obvious reasons the specific needs and requirements of small businesses are less well-articulated and brought forward in the policy development and implementation process, the analysis of this report suggests the need for a different balance of incentives for providers, intermediary bodies and individuals to drive a truly learner-centred and demand-oriented approach.

A national framework and strategy for learning and skills in small business, with a benchmarking approach and national targets such as in Britain, would provide the stimulus for close-monitoring and evaluation of impact and progress by providers and other stakeholders. Perhaps the greatest deficiency in the Australian situation is the absence of a local infrastructure to further collaboration and partnership in identifying learning and skill needs in small business and in monitoring the impact of programs and progress towards targets. Learning and Skill Councils fulfil this role in Britain, but have no Australian counterparts.

Overall, the analysis of this report suggests the need for a new paradigm and focus on meeting the learning and skill needs of small business, relevant to the environment and preferences of small business and appropriate to the imperatives and opportunities of the knowledge economy and learning age.

Research over the past decade has established the elements which are effective in this environment, the task is now to mainstream these elements in a comprehensive national framework supported by all stakeholders and characterised by partnership and collaboration. I suggest key directives for policy in building such a national approach in chapter 9.

Part III: Conclusions and way forward

Part III presents the conclusions of this study and points to ten key directions for policy as a way to progress towards a more integrated and holistic approach to the fostering of learning, skill and enterprise in small business based on collaboration and partnership between stakeholders.

8: Conclusions

This analysis has pointed to the key role of business imperatives in influencing the demand of small business for learning and training.

This has led to particular significance for:

- informal workplace learning
- short courses focussed on key business imperatives

The preference of small business, long established in Australian research, for training that is practical, relevant, convenient, low cost and often delivered 'just-in-time' is reflected in this demand.

On the other hand, the traditional barriers to participation by small business in the formal training system remain and are reflected in the preferences of most small businesses for highly relevant, convenient and low cost provision.

While attempts have been made to make VET provision more flexible and relevant, through such developments as New Apprenticeship policy and Training Packages, participation by small business in formal training remains low and patchy and there are few signs of significant progress.

A wide range of agencies and organisations are sponsoring or funding short courses for small business directed at particular business needs. These include State and Territory small business development authorities, Commonwealth agencies with particular interests and some industry and business associations. This provision includes special Commonwealth programs such as ITOL, COMET, the Enterprise Culture program and NEIS. There is a similar range of business programs at the State and Territory level.

There is little co-ordination between this spectrum of special business programs and formal VET provision, considerable overlap exists and there is some duplication. There are few signs of attempts to link the spectrum of special business programs and services to the formal VET systems to open longer-term learning and skill pathways.

Rather, the dominant feature on the landscape of learning and training provision for small business is the emergence of a dual system comprising:

- the formal VET system
- the informal system of short courses, advisory services and workplace learning

While this duality has always existed, it has been widened by the expansion of the informal short-course sector in response to contextual shifts and developments in small business,

including the impact of new technologies, globalisation, the expansion of export markets and new areas of government regulation. This is happening at a time when the pressures for lifelong learning are increasing. The impact of e-learning will further fuel the expansion of the informal sector, as will shifts in labour markets, rising pressures for individuals to maintain employability and the growth of the market for 'free agent learners'.

At present few bridges exist between these domains of formal and informal learning and there has not to date been an attempt to link these domains in a comprehensive national framework for learning and skill in small business so that the dominant mode of learning in small business remains the focus on short-term 'just-in-time' courses supplemented by workplace learning and advisory services.

This focus on short-term tactical learning, while necessary, is an impediment to the development of a culture in Australian small business that encourages learning, skill, enterprise and innovation. It reflects vestiges of a low skill/low learning culture perhaps relevant to an industrial society, but not appropriate to the high skill/strategic learning requirements of the knowledge society.

While this overall picture emerged from this study, the diversity of the small business sector means that a patchy amalgam of the old and the new may also be discerned. Effective 'self help' strategies, such as mentoring and building networks, have been identified in a series of pilot programs in VET and other sectors, but have not yet been mainstreamed under regular funding in VET.

Overall, I formed the conclusion that small business continues to be a difficult market for the VET sector, less attractive than more profitable markets and with few incentives for providers to invest heavily in expanding into the small business market.

While e-learning has enormous potential for small business, if linked with other provision in low-cost blended learning systems, this potential has not yet been realised. There is a related promotion of e-commerce under special government programs such as ITOL, but the promotion of e-commerce has not yet been linked to a general promotion of e-learning in the world of the digital economy.

The low level of incentive for VET providers to invest in the small business learning and training market means that the usual promotion is for modules from Training Packages in areas, such as marketing and customer service, where an identified demand exists.

While it is easy to draw the conclusion that not much has changed, there is a major opportunity to draw together fragmented but promising lines of development into a comprehensive national framework for learning, skill and enterprise in small business that addresses the learning and skill needs of small business in the context of the knowledge economy. I comment on such a national framework for development in chapter 9 which follows.

Small business enterprise and innovation

The present arrangements for training and learning services for small business do not sufficiently give a stimulus to enterprise and innovation in small business. While some areas of innovation, such as e-commerce in small business are encouraged through programs such as ITOL and the commercialisation of new ideas is supported through COMET, the overall thrust of small business training is towards practical 'here-and-now' 'just-in-time' knowledge and skill. This orientation will perpetuate a small business culture of short-term perspectives.

This contrasts with the vision of the Karpin Task Force for an 'Enterprising nation' and with the emphasis given in United States programs to encouraging entrepreneurship. This is a key thrust of both the US Small Business Administration and bodies such as the United States Association for Small Business and Entrepreneurship and the Coleman Foundation. These thrusts serve to enrich and extend the entrepreneurial culture which already exists in the United States (Kearns &Papadopoulos 2000) and which is less evident in Australia.

The significance of this issue is recognised in the 1998 report of the US Small Business Administration to the President:

> *A great strength of small business is its role in renewing the American economy. New and small firms play a key role in the experimentation and innovation that leads to technological change and economic growth. They are continual sources of new ideas that might otherwise remain untapped—and their experimental efforts are an essential part of the organic and ever-changing American economy.*
>
> (US Small Business Administration 1998)

In reporting to the President, the US Small Business Administration further noted that 'small firms provide the lion's share of entrepreneurship in the economy' (US SBA 1998, p.91).

There is a similar emphasis on fostering enterprise and entrepreneurship in Britain. The new British Small Business Service has recognised this requirement as one of its key policy thrusts in its four point action plan.

For these reasons I have concluded that much more emphasis should be given in Australian programs for small business to entrepreneurship, enterprise and innovation, and the general fostering of strategic longer-term perspectives. I have identified 'entrepreneurial gazelles' as a key market segment for learning and skill programs and services.

It will be necessary to progress beyond the practical 'here-and-now' 'just-in-time' orientation of most Australian small business training and to actively foster learning, enterprise and innovation. The case for an integrated/holistic approach discussed in chapter 9 is directed at this objective. Cultural change is a complex process, but is not served by an orientation towards short-term perspectives.

The necessary learning/skill/and enterprise paradigm for small business discussed in this report is directed at the critical new synergy for business—large and small—which links learning, knowledge, skill, enterprise and innovation in a new foundation for success in the knowledge economy. This will require progressing beyond the traditional training paradigm for small business and will require consultation and partnership, the forging of a shared vision and an infrastructure that supports the necessary partnership action.

This process will also require redefining the VET role in supporting learning and skill in small business beyond the traditional training paradigm.

However, this is now an imperative requirement in adopting approaches to supporting learning, skill and enterprise in small business in the context of the globalised knowledge economy.

Summary of conclusions

My conclusions in respect of the terms of reference of this study are:

1(a) How are providers and other stakeholders promoting the benefits of investing in training/learning?

- The main approach is to link the benefits of training and learning to well understood business imperatives at key stages in the business life-cycle, or required by special circumstances. This usually leads to a focus on short courses and advisory services directed at these business imperatives and results in an orientation towards immediate short-term benefits.
- In some cases where dedicated programs such as the Certificates III and IV in Small Business have emerged, promotion is directed at target groups such as women in small business.
- However, there is less promotion of the longer-term benefits of investing in training/learning in fostering lifelong learning as a foundation for sustained business success in a world of shifting markets and opportunities, global competition and exponential change.

1(b) What sort of training/learning product are they providing for small business?

- The main training/learning product may be classified into five categories:
  (i) technical training, e.g. New Apprenticeships
  (ii) embedded financial, management and other business training, e.g. post-trade courses
  (iii) dedicated small business courses, e.g. Certificates III and IV in Small Business
  (iv) accredited VET modules offered as stand-alone short courses
  (v) non-accredited short courses offered by a range of providers; often under special business programs
- Apart from entry-level New Apprenticeships, the main demand for small business appears to be for categories (iv) and (v). This corresponds to the small business preference for 'just-in-time' training of immediate relevance to business imperatives.
- The concept of a VET product needs to be clarified and re-defined in the context of growing pressures for lifelong learning and maintaining employability, labour market change and the growing significance of knowledge in the information economy. This redefinition should emphasise that VET offers a continuum of learning opportunities throughout life with personal, social and economic benefit.

1(c) Overcoming barriers

- The focus on short courses and advisory services (such as mentoring) addresses the barriers resulting from the small business preference for training that is low cost, convenient and of immediate relevance and value.
- Strategies trialled in programs such as the Small Business Professional Development Program have demonstrated the value of 'collaborative self-help strategies' (such as building networks of firms, mentoring and coaching, and benchmarking) that fit the way small business learns.
- These strategies are often adopted in special business programs, such as ITOL, COMET and export facilitation, but have yet to be mainstreamed in VET provision under regular funding arrangements.

1(d) Measuring impact

- While evaluation studies exist for some special business programs, there is little evaluation of the impact of mainstream VET provision on small business demand for learning and training since the present era of New Apprenticeships and Training Packages commenced.
- The marginal position of small business markets for most VET providers results in few incentives existing for providers to measure the impact of their products and services for small business beyond traditional employer surveys.
- Valuable information on the impact of 'collaborative self-help strategies', under special project funding, exists in the reports of the Small Business Professional Development Program which operated between 1996 and 1999.
- A broad spectrum of research needs remain to be addressed, including the impact of e-learning on small business.

2 Recent initiatives

- This report has identified a broad spectrum of initiatives undertaken by Commonwealth, State and Territory agencies and some industry associations, usually directed at particular business needs in a shifting environment and usually involving short courses and advisory services.
- The initiatives include Commonwealth programs such as ITOL, COMET, Small Business Enterprise Culture Program and equivalent State and Territory programs, typically directed at business needs such as e-commerce and ICT in small business, commercialising emerging technologies and export facilitation.
- The initiatives are often directed at networks of small firms and usually encourage partnership and collaboration. They often use mentoring and coaching.
- State and Territory small business initiatives are usually directed at key business imperatives in the business life-cycle of small firms and involve workshops, seminars, short courses, information materials, advisory services and building networks.
- There has, overall, been an expansion of the short-course/advisory services stream, in response to key business needs, which it can be assumed will continue to expand with the impact of e-learning and new technologies generally.

3 Evaluation

- I was not able to identify much recent evaluation evidence. A few evaluation studies exist for specific programs such as the NSW Small Business Training Voucher Scheme, but a significant number of these initiatives are recent and have yet to be evaluated. The valuable SBPD program reports are cited above.
- The DEWRSB Small Business Enterprise Culture Program is to be evaluated later this year and will provide useful information subsequent to the SBPD experience, with its focus on skill, mentoring and women in small business.
- In addition to evaluation of specific initiatives, the need exists for a more comprehensive assessment of the total impact of the spectrum of Commonwealth and State/Territory initiatives on the learning, skill and enterprise needs of small business and on the capacity of small business to adapt to the challenges and opportunities of the knowledge economy.

9: The way forward

Peter Drucker in a recent article on training and learning into the future observed that while training, as traditionally understood, will continue—'predominantly for blue collar and clerical people'—the growth sector is learning with more and more learning concept learning (Drucker 2000).

In a similar vein, Yarnit, in a survey of British learning communities noted that: 'a new learning system is emerging alongside the established, mainstream system which is typified by learner-centredness, integrated service delivery, easy all-day, all-year access' (Yarnit 2000).

In this report we have observed the duality between the worlds of structured training and workplace learning/short courses with the increasing significance of workplace learning (and associated short courses) in the context of the knowledge economy, the pace of change, new market forces, the impact of e-learning and the pressures for lifelong learning and maintaining employability.

While the nascent learning revolution will be driven by e-learning to a considerable extent, broader influences resulting from the transition to an information and knowledge society also impact on this context of disequilibrium and 'permanent white water'.

In this context, the VET sector faces a critical choice between:

- the traditional training paradigm as it has evolved over the past decade
- a new learner and learning-focussed paradigm which integrates learning and training with enterprise and business development and cultural change

While a parallel or 'dual system' is likely to continue for some time, as predicted by Drucker, there is little doubt that the future resides in an integrated/holistic learning and skill paradigm which links continuous workplace learning with business and enterprise development in ways that meet economic, social and educational objectives. The way forward for the VET sector is to progress towards this situation in partnership with a wide range of stakeholders.

The analysis of this report suggests that there are ten key directions for policy that need to be followed in progressing towards this situation. These key policy directions are listed in exhibit 2 and are discussed below.

While I comment on ten key policy directions in an integrated/holistic approach, I recognise that the significant diversity of the small business sector means that these strategies will operate differently in particular segments of the small business learning and

training market. The influence of particular micro-cultures and other contextual influences will be significant.

For this reason I place particular significance on two of these policy directions: the development of local partnerships to forge local strategies and the further segmenting of the small business learning and training market. Customising strategy in a demand and learner-led system will be a central feature of the road ahead.

Exhibit 2: Fostering small business learning and skill: Ten key directions for policy

1. Develop a holistic approach which integrates business-specific training with lifelong learning and personal development, and the fostering of a learning, skill and enterprise culture.
2. Foster joined-up multiple perspectives in the comprehensive national framework for learning, skill and enterprise directed at firms, individuals and communities.
3. Link imperatives from the business life-cycle and special business needs with a learning continuum throughout life so as to deepen and extend learning in small business and to underpin enterprise and innovation.
4. Use business imperatives as the gateway.
5. Segment further the small business learning and skill market.
6. Promote e-learning in blended learning strategies.
7. Progress towards a whole-of-government approach.
8. Improve access to information and foster dialogue and partnership.
9. Integrate learning, skill, knowledge and enterprise strategies.
10. Balance and integrate short-term and long-term priorities in a comprehensive framework for development.

1 Develop a holistic approach which integrates business-specific training with lifelong learning and personal development, and fostering a learning, skill and enterprise culture

The case for an integrated, holistic, approach is compelling so that the short-term needs and preferences of small business are linked to longer-term developmental objectives which foster learning, skill and enterprise in small business, and which bring about the necessary cultural change. This will require building bridges and linkages between the two domains of learning/training discussed in this report and further changes to make VET more flexible, responsive and demand driven. A key requirement will be to build a shared vision among the many stakeholders as a basis for collaboration and partnership. Developing the VET role in building learning networks of small firms is an immediate priority.

A key requirement of an integrated holistic approach will be to build local infrastructure to forge collaboration and partnership so as to open learning and skill pathways. This might take the form of local Learning and Skill Partnerships which would devise local strategies and which would associate all local stakeholders in partnership action.

2 Foster joined-up multiple perspectives in a comprehensive national framework for learning, skill and enterprise directed at firms, individuals and communities.

The analysis of this report points to significant differences in the motivation and attitudes of owner/managers in small business, employees and communities. An integrated, holistic strategy will be most effective if it includes multiple perspectives, strategies and incentives directed at these strategic differences in 'joined-up' policies. These perspectives can be brought together in broad strategies such as learning communities which address the necessary cultural foundations.

BEST COPY AVAILABLE

Such a tripartite approach to a comprehensive strategy will take account of the preferences and strategies of the key stakeholders.

- **Owner/managers**: a focus on the key business imperatives that link to bottom-line business outcomes.
- **Individuals**: a broader strategy directed at a mix of intrinsic motivation for personal development and the need to maintain employability throughout life in a new world of work and career.
- **Communities**: the shared interest that exists in the sustaining, revitalisation and regeneration of communities in a world of constant change, with quality of life, social cohesion and inclusion intimately linked to the success and sustainability of small business in processes which build social and human capital, and creative capital.

The interfaces and interaction of these perspectives and strategies will drive the process of building a skill and enterprise culture in small business and in communities. As this process of interaction proceeds, strengthened linkages will be critical between social and human capital, enterprise and commercial outcomes.

3 Link imperatives from the business life-cycle with a learning continuum throughout life

A critical element in the integrated, holistic strategy proposed will be the process of linking learning and training directed at imperatives arising from the key stages in the business life-cycle and special business needs, with a learning continuum that extends and deepens learning processes on a whole-of-life basis. This process is illustrated in exhibit 3.

Exhibit 3: **A life-cycle view of learning and training services for small business: A continuum of learning opportunities**

Learning mode	Tactical learning	Integrated learning	Strategic learning (reflective, double loop)
Typical programs	NEIS State start-up programs	New Apprenticeships, Certificate III and IV in Small Business, ITOL, Enterprise Culture, COMET	Private enterprise programs e.g. Deloitte Learning Organisation program Austrade and State export facilitation services
Typical needs	Basic business knowledge and skills e.g. finance, planning	HRD skill, deeper ICT skills, marketing, management skills e.g. team building, e-commerce, staff development	Capacity for continuous enterprise, innovation and adapting to changing conditions, entry to export markets
Life-cycle	Start up ////	Growth/development //////	Mature learning enterprise

59 BEST COPY AVAILABLE

The imperatives for lifelong learning are now well established internationally in a world of globalisation, exponential change, dynamic technologies and shifting boundaries and markets (OECD 1996; UNESCO 1996; Kearns et al. 1999). Fostering motivation and capability for lifelong learning in small business lies at the heart of the small business challenge in the context of the globalised information economy.

A strategic national approach to this critical challenge is likely to link:

- business imperatives arising from the business life-cycle of firms and special business needs
- the needs of individuals for lifelong learning
- a continuum of learning in the development of enterprises that progresses from tactical to strategic phases in an ongoing process of deepening and enriching learning
- the building of learning communities in Australia

Such a strategic process of interfacing these dimensions and imperatives will drive the process of building a learning, skill and enterprise culture in small business, and in communities.

The concept of a learning continuum which underpins this strategic process of developing firms towards becoming effective learning enterprises was developed by Deloitte Research in America in the context of the search for a development process for firms that links the potential of e-learning with effective learning strategies. There is substantial value in this concept in setting a development agenda for learning, skill and enterprise in small business.

The concept of a learning continuum involves:

- **Tactical learning**: traditional business training is directed at tactical learning, usually without customisation linked to the unique circumstances and environment of each firm.
- **Integrated learning**: this is an intermediate position in the transition to strategic learning where learning and skills are linked more closely to business strategies in customised approaches. This stage is usually marked by a shift away from training towards learning strategies. Blended learning systems including e-learning may be developed at this stage.
- **Strategic learning**: a strategic learning organisation systematically links learning needs and strategies to other performance factors such as knowledge management, innovation strategy and human resource policies. The enterprise is adaptive, responsive to changing conditions and quick to seize market opportunities.

The concepts of tactical, integrated and strategic learning can also be aligned with notions of single loop and double loop learning so that as firms progress beyond a tactical stage of learning and skill acquisition, more sophisticated and reflective modes of learning are cultivated to assist firms in the journey to becoming strategic learning enterprises able to seize market opportunities and adapt to changing circumstances. Assisting 'entrepreneurial gazelles' on this journey is a particular challenge.

At present the bulk of small business training, in particular the short-course stream, is focussed on tactical learning directed at the immediate knowledge and skill requirements of firms.

However, some aspects of structured VET and higher education provision foster integrated and strategic learning, in particular in management development programs,

while much experiential workplace learning could be linked to strategies to drive firms towards a more integrated and holistic approach to learning and development.

The concept of linking stages in the business life-cycle to a progressive sequence of learning strategies has also been explored by Kirkwood in his key themes analysis of the SBPD program experience. Kirkwood developed a life-cycle model for small business linked to a sequence of learning strategies which is shown in exhibit 4 (Kirkwood 2000, p.16)

The Kirkwood model links stages in the business life-cycle to the collaborative self-help model tested in the SBPD program. While this model has considerable merit, it would be strengthened by a more explicit link to a concept of lifelong learning as the Deloitte model does, so that the progression of learning strategies, aligned with the business life-cycle, involves a deepening and extension of learning from tactical to strategic phases as firms move to become learning enterprises.

Linking this learning continuum to the business life-cycle has substantial advantages in opening learning pathways that progress from the immediate concerns and imperatives of small business towards development pathways for firms and individuals that build enterprise, innovation and ongoing learning while also bringing social benefits.

Establishing the bridges between these pathways towards a learning culture in small business is a key priority in a necessary development effort to build a national framework for small business learning and skill in the knowledge economy.

4 Use business imperatives as the gateway

The preference of small businesses for learning and training that is practical, relevant and convenient, is well established and is reflected in the expansion of short-course provision. E-learning is likely to drive this development further. A national framework for small business learning should build on this motivation as the gateway to a learning continuum that extends and deepens learning, skill and enterprise in small business.

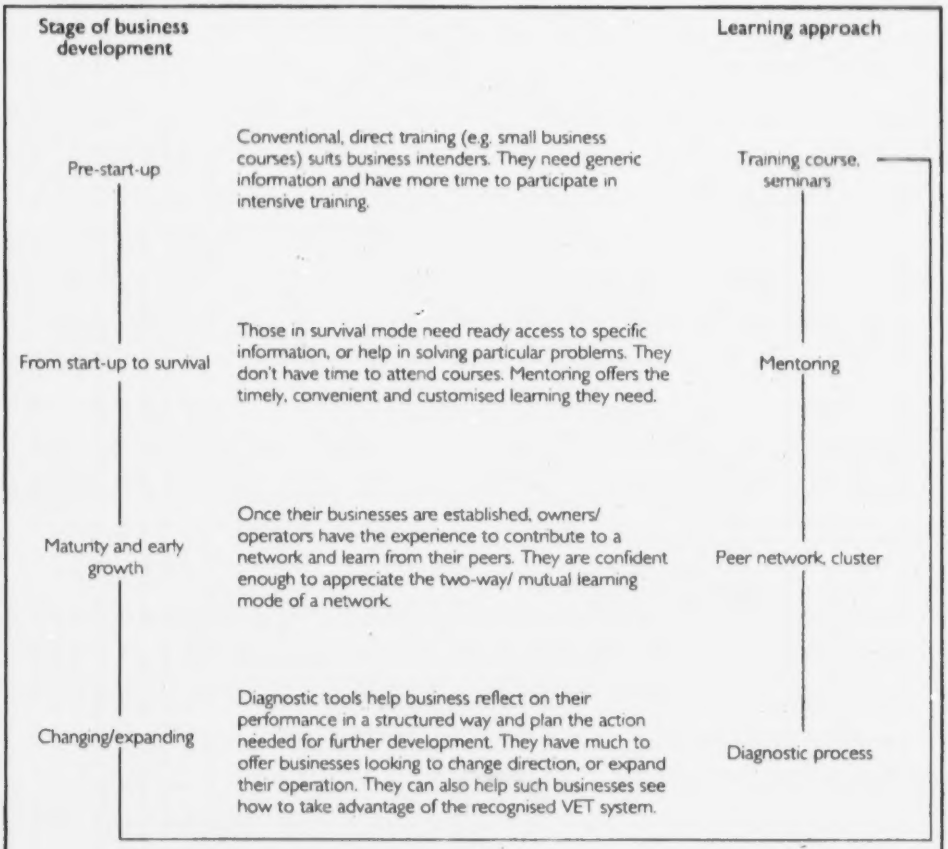
This will require better linkages between the short-course 'informal' stream and accredited VET provision than exists at present (including improved information flows), further changes in VET provision towards a more flexible and demand-driven approach, and more dialogue between stakeholders in working towards a shared vision of a national framework and strategy for learning, skill and enterprise in small business.

Adapting a gateway/follow-through strategy accords with the research finding that small business acquires a 'planning–learning culture' in an incremental fashion (Selby Smith et al. 2000, p.43).

5 Segmenting further the small business learning and skill market

Segmenting the small business learning and skill market as a basis for customising products, services and systems needs to progress further. While some good practice models exist (e.g. women in small business), these need to be extended into key market segments oriented towards both enterprise and individual needs.

Exhibit 4: 'Life-cycle' model for small business


Stage of business development
Learning approach
Pre-start-up
Conventional, direct training (e.g. small business courses) suits business intenders. They need generic information and have more time to participate in intensive training.
Training course, seminars
From start-up to survival
Those in survival mode need ready access to specific information, or help in solving particular problems. They don't have time to attend courses. Mentoring offers the timely, convenient and customised learning they need.
Mentoring
Maturity and early growth
Once their businesses are established, owners/ operators have the experience to contribute to a network and learn from their peers. They are confident enough to appreciate the two-way/ mutual learning mode of a network.
Peer network, cluster
Changing/expanding
Diagnostic tools help business reflect on their performance in a structured way and plan the action needed for further development. They have much to offer businesses looking to change direction, or expand their operation. They can also help such businesses see how to take advantage of the recognised VET system.
Diagnostic process

In this model, new learning approaches become more appropriate at each stage of a business's life, depending on factors such as:

- how pressured the business owner is
- how much time they have available
- how immediate and specific the problems are that face them
- how much business experience they can draw on
- how confident they feel about sharing business experience, and
- how oriented they are towards growth

As the business enters a new growth stage, prompted by factors such as new products, new markets or new technology, a new cycle begins. Arguably it is on the second and later rounds of the cycle that the recognised vocational education and training (VET) system becomes more relevant, when the business is ready to embrace more systematic approaches to human resource management.

Source: Graeme Kirkwood 2000, *Where business meets training: Key themes*, p.16

BEST COPY AVAILABLE

The evidence available to me suggests that micro family businesses in various contexts (e.g. small farms) 'entrepreneurial gazelles' (rapid growth start-up firms) and IT skills and literacy for individuals in small business should be early priorities. Expanding literacy provision through programs such as WELL has considerable value as a gateway strategy to build motivation for learning and skill throughout life. A priority for 'entrepreneurial gazelles' will be of value in gaining valuable lessons in building a culture that fosters learning, enterprise and innovation.

6 Promote e-learning in blended learning strategies

Small business will benefit greatly from the promotion of e-learning in cost-effective 'blended learning' strategies, such as is happening in larger firms. There is a strong case to make this a priority in national action for the promotion of ICT and e-commerce in the small business sector. This will link to the role of NOIE in promoting e-commerce through programs such as ITOL, similar action taken by State and Territory small business agencies (and the current interest of the Small Business Ministerial Council in e-learning) and could be a significant step towards a whole-of-government approach.

Many large firms around the world are adopting blended learning systems which combine e-learning with face-to-face teaching and experiential learning strategies such as action learning in synergistic ways. Commercial products and systems developed by large vendors such as IBM Mindspan Solutions and Deloitte Consulting illustrate the potential of blended learning systems. The IBM Mindspan Solutions 4-Tier Learning Model and the Deloitte Consulting Learning Continuum illustrate such approaches.

It would seem feasible to develop similar blended learning systems for the small business sector directed at networks of small firms so that costs are shared, possibly linked to the promotion of e-commerce in small business.

I comment in chapter 5 on the value of 'collaborative self-help models' such as those tested through the Small Business Professional Development Program. These models include building networks and clusters of small firms, mentoring, action learning, workplace coaching and benchmarking. It would seem feasible, and of great value, to link these strategies with e-learning products in synergistic blended learning systems. E-learning materials could be focussed initially on subjects where high demand exists in small business such as marketing, customer services, financial management and export. Some elements of such an approach already exists in Austrade provision of services for firms wishing to enter the export markets, and blended learning systems could be extended much more widely in small business.

Valuable materials already exist in Toolboxes which could be adapted for learning networks of small firms and the VET sector could play a key role, in partnership with industry associations and other stakeholders, in building learning networks of small firms with access to e-learning in blended learning systems.

There is a strong case to test this approach as an early priority with the VET system in partnership with other stakeholders such as NOIE and the Small Business Ministerial Council.

7 Progress towards a whole-of-government approach

The present fragmentation of effort among a diverse range of stakeholders is counterproductive. Greater coherence and co-ordination of effort is required to build the necessary bridges and linkages discussed above so as to open learning pathways for people in small business. Some good practice initiatives already exist, such as the

Government Business Education Network (GBEN) networks in some States. Such action needs to be extended.

This progression will require improved information flows and the building of networks such as GBEN at the local, State and national levels which foster collaboration and partnership. An agreed national framework for the promotion of learning, skill and enterprise in small business would have major value.

A key priority is to build an infrastructure for collaboration and partnership at the local level such as exists in Britain, the United States and Sweden (Kearns & Papadopoulos 2000). The role of the British Learning and Skill Councils (see appendix 2) illustrates a contemporary approach to this need.

The development of a local infrastructure to support learning, skill and enterprise in small business could be tested in a few pilot projects, perhaps in regional areas, that would be directed at developing the integrated/holistic model discussed in this report. The range of stakeholders (Commonwealth and State agencies, industry associations etc.) would be partners in such a development initiative. It will be of value for these pilot projects to include the testing of blended learning systems for small businesses which incorporate e-learning.

Current initiatives across Australia, such as building learning communities and the promotion of e-commerce, could be brought into these development projects.

8 Improve access to information and foster dialogue and partnership

While there have been some useful developments, such as the DEWRSB Business Information System and similar State agency web sites, access to information on learning, skill and enterprise initiatives and sources is still not sufficiently co-ordinated and accessible. This contrasts with Britain where there is ready access to information through a small business research portal, Department of Education and Skill forums and the research papers of the Marchmont Observatory linked to the development of the University for Industry.

The DfES forums serve to foster ongoing dialogue on small business learning and skill issues as do the documents of the Marchmont Observatory, the national Learning and Skill Council and the Small Business Service. A national portal dedicated to research and policy issues, with links to all relevant Commonwealth, State and Territory agencies would have considerable value in fostering the sharing of ideas and experience, and extending good practice and innovation.

9 Integrate learning, skill, knowledge and enterprise strategies

A strategic holistic approach to small business development, such as discussed in this report, will build bridges and linkages between learning, skill, knowledge and enterprise strategies for small business. This is fundamentally a process of building a learning culture in small business so that a culture of continuous learning drives entrepreneurial values and attitudes, the generation, management and use of knowledge, and a necessary disposition towards innovation.

Preserving and enhancing the competitive position of small business in the globalised knowledge economy requires this orientation which is as imperative in this context, as the immediate business imperatives discussed in this report. There is a critical national interest in building a shared vision and partnership to underpin this necessary development. This will require moving beyond a traditional training paradigm for small business.

Technology can be a valuable ally in building the necessary linkages. Many large firms are already using sophisticated learning management systems (LMS) to manage the interaction between users and learning resources (Rosenberg 2001). Such LMSs can also be linked to knowledge management and fostering and applying the human capital of a firm. How the benefits of such LMSs can be made available to small firms, possibly in networks, is an issue requiring investigation.

Working towards an integrated and holistic approach to learning, skill and enterprise in small business is the foundation for a new paradigm for small business development relevant to the conditions of the globalised knowledge economy. This objective underpins the analysis of this report.

Building a culture in small business that fosters enterprise and innovation is a necessary survival strategy for small business in the knowledge economy. Fostering learning processes in small business that progress towards strategic learning is a necessary underpinning of this survival strategy.

Comparable OECD countries have initiated strategies to build a learning society as the necessary proactive response to the challenge of this new era (Kearns & Papadopoulos 2000) and the learning, skill and enterprise requirements of small business should be viewed in this broad context of national development so that there is synergistic interaction between the tripartite orientation of policy towards meeting the needs of enterprises, individuals and communities.

10 Balance and integrate short-term and long-term strategies

A national development effort towards an integrated framework for learning, skill and enterprise in small business will, of necessity, require a balance of short-term and long-term perspectives. The holistic approach discussed in this report will require a shared vision to underpin strategic initiatives.

Some options that could be considered in identifying short-term and long-term priorities are set out below as a basis for consultations and discussion.

Short-term priorities

1 Developing and testing in some pilot projects an integrated/holistic model for learning, skill and enterprise in small business that combines the dimensions and perspectives discussed in this report:
   - in particular, it should integrate provision to meet short-term business imperatives with action to build a learning, skill and enterprise culture in small business.
2 Building partnerships between stakeholders at local, State/Territory and national levels and working towards a shared vision of learning, skill and enterprise in small business.
3 Improving information flows between stakeholders.
4 Mainstreaming 'collaborative self-help' strategies in VET provision for small business through incentive and funding policies.
5 Accelerate the adoption of e-learning in small business in blended learning systems which incorporate the 'collaborative self-help strategies' preferred by small business.
6 Review the balance of incentives for small business firms and employees engaging in learning and skill development.

Long-term priorities

1 Promote an integrated/holistic approach to learning, skill and enterprise widely throughout small business so as to build the cultural underpinning of successful firms in the globalised knowledge economy.

2 Extend a whole-of-government approach so that all government agencies at State/Territory and Commonwealth levels contribute to strategic approaches to linking business imperatives to long-term learning, skill and enterprise objectives.

3 Promote awareness and understanding throughout the small business sector of the business, social and human value of building a culture in small business that values learning, skill and enterprise.

These options for discussion are directed at longer-term cultural objectives as well as necessary immediate action to progress towards this vision.

A starting point

Progressing this vision for learning, skill and enterprise in small business will require as priorities:

- consultations with stakeholders on ways to bridge the two systems at national, State/Territory and local levels
- the development of information and materials to promote a better understanding of the VET contribution and the need for strategic perspectives in maintaining the competitive position of small business in the globalised knowledge economy
- development projects at the local level for field testing of strategies to build an integrated/holistic approach
- development projects to link the significant potential of e-learning for small business with the collaborative self-help strategies that fit the small business environment and culture and with current initiatives to promote e-commerce in small business

While all ten directions for policy will require attention in building the necessary learning, skill and enterprise culture in small business, the four priorities identified above provide a realistic and feasible starting point in addressing the challenge of small business in the information age.

The consultations with stakeholders proposed above may be seen as a step towards a whole-of-government approach which links initiatives taken at national, State/Territory and local levels in a comprehensive strategic framework for learning, skill and enterprise in small business.

There is a range of initiatives at national, State/Territory and local levels discussed in this report which could be linked in strategic ways, so as to foster synergies through 'joined-up polices and so as to provide value-added outcomes for people in small businesses.

A comprehensive national learning, skill and enterprise strategy for small business will bring substantial benefits for people in small business in bringing together, for mutual benefit, the two worlds discussed in this report. With vision, partnership and good will the new world of small business in Australia can be achieved.

Are two worlds colliding?

The analysis of this report is focussed around the perceived duality between the world of small business and that of the formal VET system. This is reflected in the dual formal and informal systems discussed in this report: that of accredited VET products and the expanding world of workplace learning and short non-accredited courses.

While there are indications of convergence in the attempts to make VET provision more flexible and demand-driven these two worlds have not yet come together and barriers and disincentives remain.

In the context of the globalised knowledge economy, there are compelling reasons to progress towards an integrated or holistic approach that links business imperatives to longer-term learning and skill pathways that deepen and extend learning, maintain skill and which foster innovation and enterprise.

The learning and skill strategies that succeed in small business are now well known. The task is to mainstream their application. The potential of e-learning in blended learning systems is enormous, but is yet to be harnessed widely.

Are two worlds colliding? Not yet, but with vision, partnership and goodwill the new world of small business in Australia can be achieved.

It will be a different world, as the United States Small Business Administration recognises.

> *In short, if history is prologue, small businesses will continue to start up, grow and innovate —not just as they are today, but as new and different entities.*
>
> (US Small Business Administration 2000b, p.20)

References

ABS (Australian Bureau of Statistics) 1999, *Small businesses in Australia*, ABS, Canberra.

ALMITAB (Australian Light Manufacturing Industry Training Advisory Body) 1997, *The growing challenge: Reaching small business in the TCF and allied and furnishing industries*, ALMITAB, Melbourne.

ANTA (Australian National Training Authority) 2000a, *Meeting client needs*, ANTA, Brisbane.

—— 2000b, *National marketing strategy for skills and lifelong learning: Options for strategy directions*, ANTA, Brisbane.

—— 2000c, *Report on national stakeholder consultations on draft strategy options*, ANTA, Brisbane.

ASTD & NGA (American Society for Training and Development and National Governors' Association) 2001, *A vision of e-learning for America's workforce*, report of the Commission on Technology and Adult Learning, Alexandria.

—— 2001, 'e-learning: Help employees stay knowledgeable', *Daily News* for 2 August 2001, Alexandria.

Baker, M & Wooden, M 1996, 'Training in small and medium enterprises: Is Australia's national reform agenda appropriate?', *Labour Economics and Productivity*, vol.8, no.1, March 1996.

—— 1996, 'Small business and the dollars and sense of training', *Australian Training Review*, no.18, March/April 1996.

Billett, S 2001, *Learning in the workplace*, Allen & Unwin, Sydney.

Bureau of Industry Economics 1991, *Small business training*, BIE, Canberra.

Coopers and Lybrand 1995a, 'Small business: A review of training needs', in *Research report of the Industry Task Force on Leadership and Management Skills (Karpin report)*, vol.1, AGPS, Canberra.

—— 1995b, 'Small business: A review of training evaluation and effectiveness', in *Research report of the Industry Task Force on Leadership and Management Skills (Karpin report)*, vol.1, AGPS, Canberra.

Cullen, J, Battersburg, S, Foresti, M, Lyons, C & Stern, E 2000, *Informal learning and widening participation*, DfEE, Sheffield.

DETYA (Department of Education, Training and Youth Affairs) 1998, *Small business training smarter*, DETYA, Canberra.

DEWRSB (Department of Employment, Workplace Relations and Small Business) 2001, *A portrait of Australian business: Results of the 1998 business longitudinal survey*, DEWRSB, Canberra.

—— 2000b, *Small business enterprise culture program*, DEWRSB, Canberra.

Drucker, P 2000, 'The long view', *Training and Development*, December 2000, p.27.

DTZ Pieda Consulting 1999, *Evaluation of the IiP small firms development projects*, DfEE, Sheffield.

Field, P 1997, *Training and learning in small business*, RCVET, Sydney

—— 1998, 'Shifting the focus from training to learning: The case of Australian small business', *Australian & New Zealand Journal of Vocational Education Research*, vol.6, no.1, 1998, pp.49–68.

Figgis, J, Alderson, A, Blackwell, A, Butorac, A, Mitchell, K & Zubrick, A 2001, *What convinces enterprises to value training and learning and what does not? A study in using case studies to develop cultures of training and learning*, NCVER, Adelaide.

BEST COPY AVAILABLE

GBEN (Government Business Education Network) 2001, *A quick guide to services for small business*, GBEN, Sydney.
Gibb, A 1997, *Small firms' training and competitiveness: Building upon small business as a learning organisation*.
Gibb, J 1997, *VET and small business: A review of research*, NCVER, Adelaide.
Graves, J 1999, *Online education and training for Australian farmers*, Rural Industries Research and Development Corporation, Canberra.
Halal, W (ed.) 1998, *The infinite resource: Creating and leading the knowledge enterprise*, St Martin's Press, New York.
Halal, W & Taylor, K (eds), *21st century economics*, St Martin's Press, New York.
Howard, J 2000, *The business of small business training: Planning guide*, Office of Vocational Education and Training, Hobart
Jackson, E 2000, *Cross-boundaries: Effective learning networks*, Office of Vocational Education and Training, Hobart.
John Mitchell and Associates 2000, *E-business springboards*, Office of Vocational Education and Training, Hobart.
Karpin report 1995a, *Enterprising nation: Report of the Industry Task Force on Leadership and Management Skills*, AGPS, Canberra.
—— 1995b, *Enterprising nation: Research report* (2 vols), AGPS, Canberra.
Kearney, P 1999, *Big picture from the small end of town*, Office of Vocational Education and Training, Hobart.
—— 2001, *Size matters: Small business/small workplaces*, Office of Vocational Education and Training, Hobart.
Kearns, P 1995, *Towards open learning in small business*, Flexible Delivery Working Party, Brisbane.
—— 2001, *Generic skills for the new economy*, NCVER, Adelaide.
Kearns, P & Johnson, R 1993, *Towards new alliances for learning in industry*, Flexible Delivery Working Party, Brisbane.
Kearns, P, McDonald, R, Candy, P, Knights, S & Papadopoulos, G 1999, *VET in the learning age*, NCVER, Adelaide
Kearns, P, Murphy, M & Villiers, G 1996, Industry-education partnerships: Innovation and learning, ANTA, Melbourne.
Kearns, P & Papadopoulos, G 2000, *Building a learning and training culture: The experience of five OECD countries*, NCVER, Adelaide.
Kilpatrick, S & Bell, R 1999, *Sharing the driving seat: Teaching the hard issues*, CRLRA, Launceston.
Kilpatrick, S & Crowley, S 1999, *Learning and training: Enhancing small business success*, NCVER, Adelaide.
Kirkwood, G 2000a, *Where business meets training: Key themes*, Office of Vocational Education and Training, Hobart.
—— 2000b, *The right start: Diagnostic tools*, Office of Vocational Education and Training, Hobart.
Learning and Skills Council 2001, *Strategic framework to 2004: Draft corporate plan for consultation*, LSC, Leicester.
Leonard, D 1998, *Wellsprings of knowledge*, Harvard Business School Press, Boston.
Marchmont Observatory 1999, *Understanding SME learning: The challenge for Ufl*, Exeter.
—— 2000a, *Learner support and e-learning*, Exeter.
—— 2000b, *Market analysis and marketing learning*, Exeter.
Moore, J 1996, *The death of competition*, Harper Business, New York.
Moy, J 2000, *Impact of Training Packages on small businesses—employing apprentices and trainees enrolled by TAFE NSW*, DET, Sydney.
Murphy, M 1997, *FASNET: Learning networks for small business*, FAS, Dublin.
NAGCELL (National Advisory Group for Continuing Education and Lifelong Learning) 1999, *Creating learning cultures: Learning for the 21st century*, DfEE, Sheffield.
NRC (National Research Council) 2000, *How people learn: Brain, mind, experience and school*, NRC Press, Washington.
NAB (National Alliance of Business) 1999a, 'Demand for skills spurs market to manage workforce pipeline', *Work America*, vol.16, no.7, August 1999, Washington.
—— 1999b, 'Entrepreneurial gazelles informalize the learning curve', *Work America*, vol.16, no.4, April 1999, Washington.

BEST COPY AVAILABLE

NCVER (National Centre for Vocational Education Research) 1998, *Small business and vocational education and training*, NCVER, Adelaide.
—— 2000, *Statistics 2000 at a glance*, NCVER, Adelaide
—— 2001, *Australian apprenticeship and trainee statistics, March quarter, 2000*, NCVER, Adelaide.
Newman, F & Scurry, J 2000, 'Teaching clicks', *The Australian*, 25 July 2001.
Nonaki, I & Takeuchi, H 1994, *The knowledge-creating company*, Oxford University Press, New York.
NOIE (National Office for the Information Economy), *E-commerce for small business, Government online*, www.noie.gov.au/projects/ecommerce/SME.
NSTF (National Skills Task Force) 2000a, *Tackling the adult skills gap: Upskilling adults and the role of workplace learning*, third report of NSTF, DfEE, Sheffield.
—— 2000b, *Skills for all: Research report of the National Skills Task Force*, DfEE, Sheffield.
NSW Department of Education and Training 2001, *The NSW small business training bonus scheme*, DET, Sydney.
OECD (Organisation for Economic Co-operation and Development) 1996, *Lifelong learning for all*, OECD, Paris.
—— 1998, *Human capital investment: An international comparison*, OECD, Paris
—— 2000, *Knowledge management in the learning society*, OECD, Paris.
—— 2001, *Cities and regions in the new learning economy*, OECD, Paris.
Raffo, C, O'Connor, J, Lovatt, A & Banks, M 2000, 'Attitudes to formal business training and learning among entrepreneurs in the cultural industries: Situated learning through doing with others', *Journal of Education and Work*, vol.13, no.2.
Rosenberg, M 2001, *e-learning*, McGraw Hill, New York.
Secretary of State for Education and Employment 1998, *The learning age*, DfEE, Sheffield.
—— 1998, *Learning to succeed: A new framework for post-16 learning*, DfEE, Sheffield.
Selby Smith, C, Ferrier, F, Anderson, D, Burke, G, Hopkins, S, Long, M, Maglen, L, Malley, J, McKenzie, P & Shah, C 2001, *The economics of vocational education and training in Australia: CEET's stocktake*, NCVER, Adelaide.
SWA Consulting 1999, *Evaluation of early individual learning account development activity*, DfEE, Sheffield.
Tillart, H van, Berg, S van & Warmerdam, J 1998, *Work and learning in micro-enterprises in the printing industry*, CEDEFOP, Thessalonika.
US Small Business Administration 1998a, *The state of small business: A report to the President*, SBA, Washington.
—— 1998b, *The new American evolution: The role and impact of small firms*, SBA, Washington.
—— 2000a, *Small business expansion into electronic commerce*, SBA, Washington.
—— 2000b, *The third millennium: Small business and entrepreneurship in the 21st century*, SBA, Washington.
Yarnit, M 2000, *Towns, cities and regions in the learning age: A survey of learning communities*, LGA Publications, London.

BEST COPY AVAILABLE

Appendix 1: Glossary

Action learning	a form of active experiential learning in which a deliberate, conscious effort is made to review and reflect upon action of an individual, team or the organisation. This is often undertaken in teams or sets.
ANTA	Australian National Training Authority
Blended learning systems	combines e-learning with other learning modes such as face-to-face instruction and action learning in synergistic ways
Community of practice	a form of learning community where people learn from each other, often in networks
COMET	Commercialising Emerging Technologies Program
DEWRSB	Department of Employment, Workplace Relations and Small Business
DETYA	Department of Education, Training and Youth Affairs
Double loop learning	a larger perspective that involves evaluation and modification of the goal or objective, as well as design of the path or procedures used to get there; in this mode, learning requires self conscious reflection.
e-learning	instructional content or learning experiences delivered or enabled by electronic technology
Generative learning	see double loop learning
Human capital	the knowledge, skill, competencies and other attributes (including values) embodied in individuals that are relevant to economic activity
Intellectual capital	the product of human capital and structural capital (structural capital includes hardware, software, databases and other aspects of organisational capability that support employees' productivity)
ITOL	Information Technology Online, a program administered by NOIE
Knowledge	a fluid mix of framed experience, values, contextual information and expert insight that provides a framework for evaluating and incorporating new experiences and information
Learning city	a learning city or town unites all the diverse providers of learning to meet the needs and aspirations of all its citizens; through the

	range of resources they bring together, including partnerships, they provide local solutions to local challenges
Learning community	any group of people, whether linked by geography or in some other shared interest (community of practice), that addresses the learning needs to its members through pro-active partnership; it explicitly uses learning as a way of promoting social cohesion, regeneration and economic development
Learning network	a community of practice where people learn from each other in addressing common interests
NEIS	New Enterprise Incentive Scheme, a program administered by DEWRSB
Situated learning	knowledge and skills are learned in contexts that reflect how knowledge is obtained and applied in everyday situations
Social capital	aspects of social life—the existence of networks, norms and relationships—that enable people to act together, create synergies and build partnerships
Strategic learning	a strategic learning organisation systematically links learning needs and strategies to other performance factors such as knowledge management, innovation strategy and human resource policies
Systems thinking	seeing the business as part of a wider economic ecosystem and environment
Tacit knowledge	is knowledge understood, implied, or existing in individuals or firms without being stated. Tacit knowledge can be converted to explicit knowledge through experiential learning strategies.
Tactical learning	includes traditional business training directed at specific knowledge and skills for an immediate business purpose, usually without customisation linked to the unique circumstances and environment of each firm

BEST COPY AVAILABLE

Appendix 2: British policy for learning and training in small business

While Britain has faced similar barriers to Australia in extending learning and training in small business, the British government has in recent years developed an integrated strategy which links skill formation in small business to broad national policies and strategies to build Britain as a learning society.

This approach is characterised by 'joined-up' policies which are linked at local, regional and national levels within the framework of a vision of Britain as a learning society which was set out in a government Green Paper in 1998 (Secretary of State for Education and Employment 1998). This was followed by structured reforms in 1999 announced in a White Paper which included establishing a new national network of Learning and Skill Councils to replace the former system of TECs.

A feature of the British approach is the development of strong infrastructure at the local level to facilitate collaboration and partnership through the interaction of Learning and Skill Councils and mandated Life Long Learning Partnerships with Regional Development Agencies and with other stakeholders.

Within this general framework, the British approach to fostering learning and training in small business has included the following initiatives:

1 National learning targets have been set for small businesses in relation to the Investment in People (IiP) standard
   - the target involves 10 000 small firms achieving the IiP standard by 2002.
2 Local infrastructure to promote collaboration and partnerships has been established through the network of Learning and Skill Councils and Lifelong Learning Partnerships
   - national learning targets are required to be achieved in local areas.
3 The University for Industry (Ufl) has been established as a catalyst for change with a large number of business courses available through its arm Learndirect linked to a national network of franchised learning centres.
4 Incentives for individuals in small firms to invest in the own learning have been provided through a national system of Individual Learning accounts.
5 Learning is promoted nationally through a National Campaign for Learning and in other ways.
6 A Small Business Service has been established to provide and co-ordinate services for small business.
7 A national approach to skills development has been promoted through the role of the National Skills Task Force and the subsequent sectoral approach to skills development adopted by the national Learning and Skills Council.

Overall, this approach is directed at a demand-driven approach in which partnership and collaboration are forged, and in which action is taken to make learning providers responsive to business and individual demand. Further education institutions are now funded through

the Learning and Skill Council to strengthen the nexus between learning and skill requirements and provision.

The national learning targets for small business, with 10 000 small firms to achieve the Investment in People standard by 2002 gives a national barometer of progress, with progress in local areas covered by Learning and Skill Councils also able to be monitored and evaluated.

Investors in People is a national standard for the development of people to achieve business objectives. It is based on four key principles:

- a commitment from the top to developing all employees to achieve the organisation's business objectives
- regular reviews of needs, resulting in planned training and development of all employees
- taking action to train and develop individuals on recruitment and throughout their employment and
- evaluating the investment in training and development to assess achievement and improve future effectiveness

Small firms have been assisted in achieving the IiP standard and in 1997 the government introduced 'Building a Better Business' as a program of support materials in helping small firms work towards the IiP standard. A number of IiP small firms development projects were also funded to facilitate adopting the IiP approach to the small business environment, with the program evaluated in 1999 (DTZ Pieda 1999). The Learning and Skills Council Draft Concepts Plan for 2001–2004 showed that by 2000, 6147 small firms had achieved the IiP standard compared to 2995 in 1998 (Learning and Skills Council 2001, p.23).

The University for Industry is a second key instrument of government policy in advancing learning and skill objectives for small business. In addition to serving a franchised network of over 1000 learning centres throughout Britain Ufl, provides (through Learndirect) a large number of courses with 90% of the courses online. This provides choices to learners to access courses at home, work, or in any of the 1076 Learndirect centres. A large number of business courses are provided through Learndirect.

The reform of local infrastructure with the national network of Learning and Skill Councils replacing the TECs and with mandated local Lifelong Learning Partnerships provides a structure to foster collaboration and partnership. As the Council now funds further education, it has the capacity to bring learning and training strategies together in meeting local needs. Lifelong Learning Partnerships and the extensive development of Learning Cities and Towns in Britain further provide for local partnerships and building social capital.

In addition to incentives directed at the firms, the British Government has sought to increase incentives for individuals to invest in their own learning. A key strategy has been the program of Individual Learning Accounts with the first million people to open accounts qualified for a government contribution of 150 pounds. Evaluation of the scheme has been positive.

The promotion of learning in Britain now involves multi-faceted national and local strategies. The National Campaign for Learning has provided leadership at a national level while special campaigns have been conducted from time to time focussed on such themes as family learning, learning in the workplace and 'bite size courses'. The latter campaign has a special relevance to small business. The role of Learning City campaigns at a local level has been significant with learning given visibility and promoted through such initiatives as learning festivals and learning shops.

Care has been taken in the dissemination of information and good practice through online services.

- Small Business Research Portal (www.smallbusinessportal.co.uk)
- the Department for Education and Employment (now DfES) Small Business Online Forums

The Small Business Research Portal provides access to information on research, publications, reviews, conferences, message boards and other services with links to other small business sites. The DfES forums serve to stimulate ongoing discussion of small business issues.

Research and development with respect to small business has also been given a stimulus through the role of the Marchmont Observatory which is based on partnership between the University of Exeter, Open University and Trade Union Congress to draw together research, good practice and practitioner views on workforce development and e-learning. (www.lifelonglearning.ac.uk). The Marchmont Observatory has a particular focus on widening participation in learning and training, meeting the needs of SMEs and contributing to the development of the University for Industry in meeting these needs (Marchmont Observatory 1999). In contributing to the UfI responding to SME needs, Marchmont has conducted a range of workshops and seminars and produced papers on subjects such as learner support, marketing learning, stimulating investment in learning, public funding of learning. Its role has been of value in focussing research on UfI development.

In order to focus government services for small business, the British Government in 2000 launched Small Business Service (SBS) as the focus for supporting small firms. The overall government objective of building a learning and enterprise society is reflected in the objectives of SBS which include, in addition to the usual small business services, the objective of 'promote enterprise across society and particularly in under-represented and disadvantaged groups'.

In developing a national skills agenda, for large and small firms, the government established a National Skills Task Force which reported in 2000 (NSTF 2000). The national skills agenda is now the responsibility of the Learning and Skills Council which is adopting a sectoral approach to the skills agenda aligned with local action co-ordination through the local Learning and Skills Council so as to align local and national planning.

Under this system the corporate plan of the national Learning and Skills Council defines national targets with the local Council developing its local strategy in terms of three strategies to deliver the local targets:

- skill strategy
- participation strategy
- learning strategy (Learning and Skills Council 2001)

The whole-of-society approach is a hallmark of the current British approach with the mix of social, economic and identified objectives reflected in the range of policies and strategies outlined above. The British Government has, since 1997, sought to align vision, structural reform and strategy in a whole-of-government approach with new forms of public/private partnership emerging, as in the development of the University for Industry and the strategies to revitalize and regenerate local communities.

Policy for learning and training in small business needs to be viewed in the broad framework of vision and strategy. Of particular interest to Australia are the infrastructure

strategies to build local partnership and collaboration, the role of national learning targets for small business benchmarked against the IiP standard and the catalytic role of the University for Industry.

Appendix 3: Approach to methodology

This study was required to be undertaken over a six weeks period from early July to mid-August 2001. For this reason I was obliged to rely on published and unpublished sources supplemented by consultations with key stakeholders. In the time available, the consultations were not as extensive as the importance of this subject warrants and I acknowledge gaps in the stakeholders I was able to consult.

For this reason, my report provides an impressionistic snapshot of the current situation as I have seen it. While incomplete, I believe that the snapshot is generally valid in its overall portrayal of the current situation. Comments I have received from well informed stakeholders confirm this judgement, as do the discussions I have undertaken.

The key directions for policy discussed in chapter 9 reflect not only the consultations I have undertaken in this project, but also my work since 1998 on the implications of lifelong learning for VET in Australia, the policies adopted by a number of OECD countries to build a learning culture and the generic skills and attributes required by the conditions of the new economy (Kearns et al. 1999; Kearns & Papadopoulos 2000; Kearns 2001). By drawing upon this broader body of work, I have attempted to place the learning, skill and enterprise needs of small business in a wider context of social and economic change so as to identify the necessary key directions for policy in meeting the needs of small business in this context. Such a broad forward-looking orientation, I believe to be essential.

I was also assisted by participation in several future-oriented conferences during the period of the study which generally confirmed the overall judgements I have made in this report. The conferences were:

- a future search conference on Workplace Learning convened by the American Society for Training and Development in June 2001
- a conference on the Future of Work convened by the NSW Board of Vocational Education and Training in July 2001

The convening of these conferences adds to the growing international recognition that new approaches to workplace learning and skill formation are required in this context of the globalised knowledge economy.

In undertaking this study, I invited comments from, or had discussions with, the following organisations and agencies:

- State and Territory training authorities
- national industry training advisory bodies
- business associations: Australian Chamber of Commerce and Industry; Australia Business Ltd; Australian Industry Group

- selected State small business agencies
- Commonwealth departments: Department of Education, Training and Youth Affairs; Australian National Training Authority; Department of Employment, Workplace Relations and Small Business; Department of Industry, Science and Resources; National Office of the Information Economy
- Small Business Association

I am especially grateful for the well informed comments I received from a number of individuals whose contribution and knowledge of the present situation, I value.

I, of course, take responsibility alone for the interpretation of a complex scene of change and transition that I have presented in this report.

Appendix 4: A vision of e-learning for America's workforce

Early in its work, the Commission on Technology and Adult Learning recognised the importance of creating a broad vision of e-learning for America's workforce. The vision, printed below, is intended as a statement of what a best-case e-learning environment would look like and how it would impact individuals, organisations and communities.

We envision an e-learning future for America's workforce in which ...

- Learning is geared to the needs and interests of the individual learner and is integrated into virtually all aspects of the individual's work and life.
- Control of the learning process shifts from institutions to individuals, who assume greater responsibility for developing their skills and knowledge.
- Technology that supports e-learning makes it possible to customize content and delivery to match individuals' learning styles, experience and skills.
- Learning is a continuous process of inquiry that keeps pace with the speed of change in business and society, rather than generic instruction based on set curricula.
- New means of assessing and certifying learning results replace traditional, clock-hour measures, providing secure and reliable systems for recording and capturing what an individual knows and is able to do.
- An 'open design process' allows individuals to take full advantage of a borderless, technology-rich delivery environment and access high quality learning content.
- Cross-State and cross-sector partnerships assure the proper level of investment in, and attention to, promoting new learning strategies, taking successful practices to scale and accelerating the speed of needed changes.
- Information about successful and innovative e-learning is widely shared and informs the development and implementation of new programs and policies.
- E-learning is driven by market forces, including individual decision-making and consumer choice, rather than by institutional interests.
- E-learning is embedded in a system of other practices and policies designed to broaden individual opportunity and increase economic competitiveness.

Source: American Society for Training and Development and National Governors' Association 2001, *A vision of e-learning for America's workforce. Report of the Commission on Technology and Adult Learning*, ASTD, Alexandria.

BEST COPY AVAILABLE

The National Centre for Vocational Education Research is Australia's primary research and development organisation in the field of vocational education and training.

NCVER undertakes and manages research programs and monitors the performance of Australia's training system.

NCVER provides a range of information aimed at improving the quality of training at all levels.

ISBN 1 74096 041 6 print edition
ISBN 1 74096 042 4 web edition

BEST COPY AVAILABLE

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)

NOTICE

Reproduction Basis

[X] This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

[ ] This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").